A

DISCOURSE

ON THE

RISE, PROGRESS, PECULIAR OBJECTS,

AND IMPORTANCE,

OF

POLITICAL ECONOMY:

CONTAINING AN OUTLINE OF

A COURSE OF LECTURES

ON THE

PRINCIPLES AND DOCTRINES OF THAT SCIENCE.

BY J. R. M'CULLOCH, ESQ.

——— LEGES LEGUM, ex quibus informatio peti possit, quid in singulis legibus bene aut perperam positum aut constitutum sit.—BACON.

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My object in publishing the following Discourse has been to furnish the Students of Political Economy with a general view of the principles on which the science is founded; the distinguishing features in the most celebrated theories that have been advanced to explain its various results; the distinction between it and Politics; the utility of its study to all ranks and orders of the community; and the plan I follow in teaching it, both in my public and private classes. I had previously attempted to do this in an Introductory Lecture to the Course I have delivered here and in London; but it was impossible, in so narrow a space, to touch on many topics that I have here discussed at considerable length, or to treat others so fully as their importance seemed to require. Though the Discourse is chiefly intended for the use of those who may attend my classes, I am not without hopes that it may be of service to others.

EDINBURGH,
Oct. 1824.

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DISCOURSE

ON THE SCIENCE OF

POLITICAL ECONOMY.

If the interest and importance of the subjects of which it treats be any test of the interest and importance of a science, Political Economy will be found to have the strongest possible claims on the public attention. Its object is to point out the means by which the industry of man may be rendered most productive of those necessaries, comforts, and enjoyments, which constitute *wealth*; to ascertain the proportions in which this wealth is divided among the different classes of the community; and the mode in which it may be most advantageously consumed. The intimate connection of such a science, with all the best interests of

society, is abundantly obvious. There is no other, indeed, which comes so directly home to the every-day occupations and business of mankind. The consumption of wealth is indispensable to existence; but the eternal law of Providence has decreed, that wealth can only be procured by industry,—that man must earn his bread by the sweat of his brow. This twofold necessity renders the production of wealth a constant and principal object of the exertions of the vast majority of the human race; has subdued the natural aversion of man from labour; given activity to indolence; and armed the patient hand of industry with zeal to undertake, and patience to overcome, the most irksome and disagreeable tasks.

But when wealth is thus necessary, when the desire to acquire it is sufficient to induce us to submit to the greatest privations, the science which teaches the means by which its acquisition may be most effectually promoted,—by which we may be enabled to obtain the greatest possible amount of wealth with the least possible difficulty,—must certainly deserve to be carefully studied and meditated. There is no class of persons to whom this knowledge can be considered as either extrinsic or superfluous. There are some, doubtless, to whom it may be of more advantage than to others; but it is of the utmost consequence to all. The prices of all sorts of commodities—the profits of

the manufacturer and merchant—the rent of the landlord—the wages of the day-labourer—and the incidence and effect of taxes and regulations, all depend on principles which Political Economy can alone ascertain and elucidate.

Neither is the acquisition of wealth necessary only because it affords the means of subsistence: without it we should never be able to cultivate and improve our higher and nobler faculties. Where wealth has not been amassed, the mind being constantly occupied in providing for the immediate wants of the body, no time is left for its culture; and the views, sentiments, and feelings of the people, become alike contracted, selfish, and illiberal. The possession of a decent competence, or the being able to indulge in other pursuits than those which directly tend to satisfy our animal wants and desires, is necessary to soften the selfish passions; to improve the moral and intellectual character, and to ensure any considerable proficiency in liberal studies and pursuits. And hence, the acquisition of wealth is not desirable merely as the means of procuring immediate and direct gratifications, but as being indispensably necessary to the advancement of society in civilization and refinement. Without the tranquillity and leisure afforded by the possession of accumulated wealth, those speculative and elegant studies which expand and enlarge our views, purify our taste, and lift us higher in the

scale of being, can never be successfully prosecuted. It is certain, indeed, that the comparative barbarism and refinement of nations depend more on the comparative amount of their wealth than on any other circumstance. A poor people are never refined, nor a rich people ever barbarous. It is impossible to name a single nation which has made any distinguished figure either in philosophy or the fine arts, without having been at the same time celebrated for its wealth. The age of Pericles and Phidias was the flourishing age of Grecian, as the age of Petrarch and Raphael was of Italian commerce. The influence of wealth is, in this respect, almost omnipotent. It raised Venice from the bosom of the deep, and made the desert and sandy islands on which she is built, and the unhealthy swamps of Holland, the favoured abodes of literature, of science, and of art. In our own country its effects have been equally striking. The number and eminence of our philosophers, poets, scholars, and artists, have ever increased proportionally to the increase of the public wealth, or to the means of rewarding and honouring their labours.

The possession of wealth being thus indispensable to individual existence and comfort, and to the advancement of nations in civilization, it may justly excite our astonishment, that so few efforts should have been made to investigate its sources; and that the study of Political Economy is not even

yet considered as forming a principal part in a comprehensive system of education. A variety of circumstances might be mentioned, as occasioning the unmerited neglect of this science; but of these the institution of *domestic slavery* in the ancient world, and the darkness of the period when the plan of education in the universities of modern Europe was first formed, seem to have had the greatest influence.

The citizens of Greece and Rome considered it degrading to engage in those occupations which form the principal business of the inhabitants of modern Europe. Instead of endeavouring to enrich themselves by their own exertions, they trusted to the reluctant labour of slaves, and to subsidies extorted from conquered countries. In some of the Grecian States, the citizens were prohibited from engaging in any species of manufacturing and commercial industry; and in Athens and Rome, where this prohibition did not exist, these employments were universally regarded as unworthy of freemen, and were, in consequence, exclusively carried on either by slaves or by the very dregs of the people. Even Cicero, who had mastered all the philosophy of the ancient world, and raised himself above many of the prejudices of his age and country, does not scruple to affirm, that there can be nothing ingenuous in a workshop; that commerce, when conducted on

a small scale, is mean and despicable; and when most extended, barely tolerable—*Non admodum vituperanda!** Agriculture, indeed, was treated with more respect. Some of the most distinguished characters in the earlier ages of Roman history had been actively engaged in rural affairs; but, notwithstanding their example, the cultivation of the soil, in the flourishing period of the Republic, and under the Emperors, was almost entirely carried on by slaves, belonging to the landlord, and employed on his account. The mass of Roman citizens were either engaged in the military service, † or derived a precarious and dependant subsistence from the supplies of corn furnished by the conquered provinces. In such a state of society the relations subsisting in modern Europe

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* "Illiberales autem et sordidi questus mercenariorum, omniumque quorum operæ, non quorum artes emuntur. Est enim illis ipsa merces auctoramentum servitutis. Sordidi etiam putandi, qui mercantur a mercatoribus quod statim vendant, *nihil enim proficiunt, nisi admodum mentiantur!* Opificesque omnes in sordida arte versantur, *nec enim quidquam ingenuum potest habere officina* * * * Mercatura autem, si tenuis est, sordida putanda est; sin autem magna et copiosa, multa undique apportans, multisque sine vanitate impertiens, non est admodum vituperanda." (*De Officiis*, Lib. I. sect. 42.)

† "Rei militaris virtus præstat cæteris omnibus; hæc populo Romano, hæc huic urbi æternam gloriam peperit."—(Cicero pro Murena.)

between landlords and tenants, and masters and servants, were unknown; and the ancients were, in consequence, entire strangers to all those interesting and important questions arising out of the rise and fall of rents and wages, which form so important a branch of economical science. The spirit of philosophy in the ancient world was also extremely unfavourable to the cultivation of Political Economy. The luxurious or more refined mode of living, of the rich, was regarded by the ancient moralists as an evil of the first magnitude. They considered it as subversive of those warlike virtues, which were the principal objects of their admiration; and they, therefore, denounced the passion for accumulating wealth as fraught with the most injurious and destructive consequences. It was impossible that Political Economy could become an object of attention to minds imbued with such prejudices; or that it could be studied by those who contemned the objects about which it is conversant, and vilified the labour by which wealth is produced.

At the establishment of our universities, the clergy were almost the exclusive possessors of the little knowledge then in existence. It was natural, therefore, that their peculiar feelings and pursuits should have a marked influence on the plans of education they were employed to frame. Grammar, rhetoric, logic, school divinity, and civil law,

comprised the whole course of study. To have appointed professors to explain the principles of commerce, and the means by which labour might be rendered most effective, would have been considered as equally superfluous and degrading to the dignity of science. The ancient prejudices against commerce, manufactures, and luxury, retained a powerful influence in the middle ages. None were then possessed of any clear ideas concerning the true sources of national wealth, happiness, and prosperity. The intercourse among states was extremely limited, and was maintained rather by marauding incursions, and piratical expeditions in search of plunder, than by a commerce founded on the gratification of real and reciprocal wants.

These circumstances sufficiently account for the late rise of this science, and the little attention paid to it up to a very recent period. And since it has become an object of more general attention and inquiry, the differences which have subsisted among the most eminent of its professors, have proved exceedingly unfavourable to its progress, and have generated a disposition to distrust its best established conclusions.

It is clear, however, that those who distrust the conclusions of Political Economy, because of the variety of systems that have been advanced to explain the phenomena about which it is conversant, might on the same ground distrust the conclusions of al-

most every other science. The discrepancy between the various systems that have successively been sanctioned by the ablest physicians, chemists, natural philosophers, and moralists, is quite as great as the discrepancy between those advanced by the ablest political economists. But who would therefore conclude that medicine, chemistry, natural philosophy, and morals, rest on no solid foundation, or that they are incapable of presenting us with a system of well-established and consentaneous truths? We do not refuse our assent to the demonstrations of Newton and Laplace, because they are subversive of the hypotheses of Ptolemy, Tycho Brahe, and Descartes; and why should we refuse our assent to the demonstrations of Smith and Ricardo, because they have subverted the false theories that were previously advanced respecting the sources and the distribution of wealth? Political Economy has not been exempted from the common fate of the other sciences. None of them has been instantaneously carried to perfection; more or less of error has always insinuated itself into the speculations of their earliest cultivators. But the errors with which Political Economy was formerly infected have now nearly disappeared, and a very few observations will suffice to show that it really admits of as much certainty in its conclusions as any science founded on *fact and experiment* can possibly do.

The principles on which the production and accumulation of wealth and the progress of civilization depend, are not the offspring of legislative enactments. Man must exert himself to produce wealth, because he cannot exist without it; and the desire implanted in the breast of every individual of rising in the world and improving his condition, impels him to save and accumulate. The principles which form the basis of this science make, therefore, a part of the original constitution of man and of the physical world; and their operations, like those of the mechanical principles, are to be traced by the aid of observation and analysis. There is, however, a material distinction between the physical and the moral and political sciences. The conclusions of the former apply in *every* case, while those of the latter apply only in the *majority* of cases. The principles on which the production and accumulation of wealth depend are inherent in our nature, and exert a powerful, but not always the *same* degree of influence over the conduct of every individual; and the theorist must, therefore, satisfy himself with framing his general rules so as to explain their operation in the majority of instances, leaving it to the sagacity of the observer to modify them so as to suit individual cases. Thus, it is an admitted principle in the science of Morals, as well as of Political Economy, that by far the largest proportion of the human

race have a much clearer view of what is conducive to their own interests, than it is possible for any other man, or select number of men to have, and, consequently, that it is sound policy to allow every individual to follow the bent of his inclination, and to engage in any branch of industry he thinks proper. This is the general theorem; and it is one which is established on the most comprehensive experience. It is not, however, like the laws which regulate the motions of the planetary system,—it will hold good in nineteen out of twenty instances, but the twentieth may be an exception. But it is not required of the economist, that his theories should quadrate with the peculiar bias of the mind of a particular person. His conclusions are drawn from observing the principles which are found to determine the condition of mankind, as presented on the large scale of nations and empires. He has to deal with man in the aggregate—with states, and not with families—with the passions and propensities which actuate the great bulk of the human race, and not with those which are occasionally found to influence the conduct of a solitary individual.

It should always be steadily kept in view, that it is never any part of the business of the economist to inquire into the means by which the fortunes of individuals may have been increased or diminished, except to ascertain their general operation and

effect. The *public interests* ought always to form the exclusive objects of his attention. He is not to frame systems, and devise schemes, for increasing the wealth and enjoyments of *particular classes;* but to apply himself to discover the sources of *national wealth,* and *universal prosperity,* and the means by which they may be rendered most productive.

Nothing, indeed, is more common than to hear it objected to some of the best established truths in political and economical science, that they are at variance with such and such facts, and that, therefore, they must be rejected. It is certain, however, that these objections most frequently originate in an entire misapprehension of the nature of the science. It would be easy to produce a thousand instances of individuals who have been enriched by monopolies, as they are sometimes by robbery and plunder; but it would be not a little rash to conclude from thence, without farther inquiry, that the community in general can be enriched by such means! This, however, is the single consideration to which the political economist has to attend. The question never is, whether a greater or smaller number of individuals can be enriched by the adoption of a particular measure, or by a particular institution, but whether its tendency is to enrich *the public.* Admitting that monopolies and restrictive regulations frequently enable individuals to accu-

mulate ample fortunes, this is so far from being, as is often contended, any proof of their real advantageousness, that it is distinctly and completely the reverse. It is demonstrably certain, that if monopolies and exclusive privileges enrich the *few*, they must, to the same extent, impoverish the *many*; and are, therefore, as destructive of that NATIONAL WEALTH, to promote which ought to be the principal object of every institution, as they are of the natural freedom of industry.

To arrive at a well-founded conclusion in economical science, it is not, therefore, enough to observe results in particular cases, or as they affect particular individuals; we must further inquire whether these results are *constant* and *universally applicable*—whether the same circumstances which have given rise to them in one instance, would in every instance, and in every state of society, be productive of the same or similar results.—A theory which is inconsistent with an *uniform* and *constant* fact, must be erroneous; but the observation of a particular result at variance with our customary experience, and when we may not have had the means of discriminating the circumstances attending it, ought not to induce us hastily to modify or reject a principle which accounts satisfactorily for the greater number of appearances.

The example of the few arbitrary princes who have been equitable, humane, and generous, is not

enough to overthrow the principle which teaches that it is the nature of irresponsible power to debauch and vitiate its possessors—to render them haughty, cruel, and suspicious: nor is the example of those who, attentive only to present enjoyment, and careless of the future, lavish their fortunes in boisterous dissipation or vain expence, sufficient to invalidate the general conclusion, that the passion for accumulation is infinitely stronger and more universal than the passion for expence. Had this not been the case, mankind could never have emerged from the condition of savages. The multiplied and stupendous improvements which have been made in different ages and nations—the forests that have been cut down—the marshes and lakes that have been drained and cultivated—the harbours, roads, and bridges that have been constructed—the cities and edifices that have been raised—are *all* the fruits of a saving of income, and establish, in despite of a thousand particular instances of prodigality, the vast ascendancy and superior force of the accumulating principle.

It is from the want of attention to these considerations that much of the error and misapprehension with which the science of Political Economy has been, and still is infected, has arisen. Almost all the absurd theories and opinions which have successively appeared have been supported by an appeal to facts. But a knowledge of facts, without

a knowledge of their mutual relation—without being able to show why the one is a cause and the other an effect—is, to use the illustration of M. Say, really no better than the indigested erudition of an almanack maker, and can afford no means of judging of the truth or falsehood of a general principle.

Neither should it be forgotten, that the alleged facts so frequently brought forward to show the fallacy of general principles, are, in most cases, so carelessly observed, and the circumstances under which they have taken place so indistinctly defined, as to render them altogether unworthy of attention. To observe accurately, requires a degree of intelligence and acuteness, a freedom from prejudice, and a patience of investigation belonging to a few only. "There is," to use the words of the celebrated Dr Cullen, "a variety of circumstances tending to vitiate the statements dignified with the name of experience. The simplest narrative of a case almost always involves some theories. It has been supposed that a statement is more likely to consist of unsophisticated facts, when reported by a person of no education; but it will be found an invariable rule, that the lower you descend in the medical profession, the more hypothetical are the prevailing notions. Again, how seldom is it possible for any case, however minutely related, to include all the circumstances

with which the event was connected. Hence, in what is commonly called experience, we have only a rule transferred from a case imperfectly known, to one of which we are equally ignorant. Hence, that most fertile source of error, the applying deductions drawn from the result of one case to another case, the circumstances of which are not precisely similar. *Without principles deduced from analytical reasoning, experience is an useless and a blind guide.*" *

Every one who has had occasion to compare the discordant statements of the mass of common observers, with respect to the practical bearing and real operation of any measure affecting the public interests, must be convinced that Dr Cullen's reasoning is still more applicable to political and economical science than to medicine. Circumstances which altogether escape the notice of ordinary observers, often exercise the most powerful influence over national prosperity; and those again which strike them as being most important, are often comparatively insignificant. The condition of nations, too, is affected by so many circumstances, that without the greatest skill and caution, joined to a searching and refined analysis, and a familiar command of scientific principles, it is in most cases quite impossible

* Cullen's MS. Lectures.

to discriminate between cause and effect, and to avoid ascribing results to one set of causes that have been occasioned by another set. No wonder, therefore, when such is the difficulty of observing, that "the number of false facts, afloat in the world, should infinitely exceed that of the false theories."* And after all, however carefully an *isolated* fact may be observed, still, for the reasons already stated, it can never form a foundation for a general theorem either in the moral or political sciences. Those, indeed, who bring forward theories resting on so narrow a basis, are almost invariably *empirics*, whose vanity or interest prompts them to set up conclusions drawn from their own limited and imperfect range of observation, in opposition to conclusions sanctioned by the general experience of mankind.

But, although we are not to reject a received principle because of the apparent opposition of a few results, with the particular circumstances of which we are unacquainted, we can have no confidence in its solidity unless it be deduced from a very comprehensive and careful induction. To arrive at a true knowledge of the laws regulating the production, distribution, and consumption of wealth, the economist must draw his materials from a very wide surface. He should study man in

* A remark of Dr Cullen's.

every different situation—he should have recourse to the history of society, arts, commerce, and civilization—to the works of philosophers and travellers—to every thing, in short, that can throw light on the causes which accelerate or retard the progress of civilization: He should mark the changes which have taken place in the fortunes and condition of the human race in different regions and ages of the world: He should trace the rise, progress, and decline of industry: And, above all, he should carefully analyse and compare the effects of different institutions and regulations, and discriminate the various circumstances wherein an advancing and declining society differ from each other. Such investigations, by disclosing the real causes of national opulence and refinement, and of poverty and degradation, furnish the economist with the means of giving a satisfactory solution of almost all the important problems in the science of wealth, and of devising a scheme of public administration calculated to ensure the continued advancement of the society in the career of improvement.

Such inquiries cannot fail to excite the deepest interest in every ingenuous mind. The laws by which the motions of the celestial bodies are regulated, and over which man cannot exercise the smallest influence or control, are yet universally allowed to be noble and rational objects of study.

But the laws which regulate the movements of human society—which cause one people to advance in opulence and refinement, at the same time that another is sinking into the abyss of poverty and barbarism—have an infinitely stronger claim on our attention; both because they relate to objects which exercise a direct influence over human happiness, and because their effects may be, and in fact are, continually modified by human interference. National prosperity does not depend nearly so much on advantageous situation, salubrity of climate, or fertility of soil, as on the adoption of measures fitted to excite the inventive powers of genius, and to give perseverance and activity to industry. The establishment of a wise system of public economy can compensate for every other deficiency: It can render regions naturally inhospitable, barren, and unproductive, the comfortable abodes of an elegant and refined, a crowded and wealthy population; but where it is wanting, the best gifts of nature are of no value; and countries possessed of the greatest capacities of improvement, and abounding in all the materials necessary for the production of wealth, with difficulty furnish a miserable subsistence to hordes distinguished only by their ignorance, barbarism, and wretchedness.

When we reflect on the variety and extent of

the previous knowledge requisite for the construction of a sound theory of Political Economy, we cease to feel any surprise at the errors into which economists have been betrayed, or at the discrepancy of the opinions that are still entertained on some important points. Political Economy is of very recent origin. Though various treatises of considerable merit had previously appeared on some of its detached parts, it was not treated as a whole, or in a scientific manner, until about the middle of last century. This circumstance is of itself enough to account for the number of erroneous systems that have since appeared. Instead of deducing their general conclusions from a comparison of particular facts, and a careful examination of the phenomena attending the operation of different principles, and of the same principles in different circumstances, the first cultivators of almost every branch of science have begun by framing their theories on a very narrow and insecure basis. Nor is it really in their power to go to work differently. Observations are scarcely ever made or particulars noted for their own sake. It is not until they begin to be sought after, as furnishing the only test by which to ascertain the truth or falsehood of some popular theory, that they are made in sufficient numbers, and with sufficient accuracy. It is, in the peculiar phraseology of this science, the *effectual demand* of the theorist that

regulates the production of the facts or raw materials, which he is afterwards to work into a system. The history of Political Economy strikingly exemplifies the truth of this remark. Being, as already observed, entirely unknown to the ancients, and but little attended to by our ancestors up to a comparatively late period, those circumstances which would have enabled us to judge with the greatest precision of the wealth and civilization of the inhabitants of the most celebrated states of antiquity, and of Europe during the middle ages, have either been thought unworthy of the notice of the historian, or have been very imperfectly and carelessly detailed. Those, therefore, who first began to trace the general principles of the science had but a comparatively limited and scanty experience on which to build their conclusions. Nor did they even avail themselves of the few historical facts with which they might easily have become acquainted; but almost exclusively confined their attention to such as happened to come within the sphere of their own observation.

The once prevalent opinion, that wealth consists exclusively of Gold and Silver, naturally grew out of the circumstance of the money of all civilized countries being almost entirely formed of these metals. Having been used both as standards whereby to measure the relative value of different commodities and as the equivalents for which they were most

frequently exchanged, gold and silver, or money, acquired a factitious importance, not in the estimation of the vulgar only, but in that of persons of the greatest discernment. The simple and decisive consideration, that all buying and selling is really nothing more than the bartering of one *commodity* for another—of a certain quantity of corn or cloth, for example, for a certain quantity of gold or silver, and *vice versa*—was entirely overlooked. The attention was gradually transferred from the *money's worth* to the money itself; and the wealth of individuals and of states was measured, not by the abundance of their disposable products—by the quantity and value of the commodities with which they could afford to purchase the precious metals—but by the quantity of these metals actually in their possession—And hence the policy, as obvious as it was universal, of attempting to increase the amount of national wealth by forbidding the exportation of gold and silver, and encouraging their importation.

It appears from a passage in Cicero, that the exportation of the precious metals had been frequently prohibited at Rome during the period of the Republic; * and this prohibition was repeatedly re-

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* "*Exportari aurum non oportere, cum sæpe antea senatus, tum me consule, gravissime judicavit.*" Orat. pro L. Flacco, sect. 28.

newed, though to very little purpose, by the Emperors.* Neither, perhaps, has there been a state in modern Europe whose early laws have not expressly forbidden the exportation of gold and silver. It is said to have been interdicted by the law of England previously to the Conquest; and reiterated statutes were subsequently passed to the same effect; one of which, (3d Henry VIII. cap. 1,) enacted so late as 1512, declared, that every person who should carry over sea any coins, plate, jewels, &c. should, on detection, forfeit double the value of these articles.

The extraordinary extension of commerce during the fifteenth and sixteenth centuries occasioned the substitution of a more refined and complex system for increasing the supply of the precious metals in place of the coarse and vulgar one that had previously obtained. The establishment of a direct intercourse with India by the Cape of Good Hope, seems to have had the greatest influence in effecting this change. The precious metals have always been one of the most advantageous articles of export to the East: And notwithstanding the old and

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* Pliny, when enumerating the silks, spices, and other Eastern products imported into Italy, says, "*Minimaque computatione millies centena millia sestertium annis omnibus, India et Seres, peninsulaque illa* (*Arabia*) *imperia nostro demunt.*" (Hist. Nat. Lib. xii. cap. 18.)

deeply rooted prejudices against their exportation, the East India Company obtained, when first instituted, in 1600, leave annually to export foreign coins, or bullion, of the value of L.30,000; on condition, however, that they should import, within six months after the termination of every voyage, except the first, as much gold and silver as should together be equal to the value of the silver exported by them. But the enemies of the Company contended, that this condition was not complied with; and that it was besides *contrary to all principle*, and highly injurious to the public interests, to permit gold and silver to be sent out of the kingdom. The merchants, and others interested in the support of the Company, could not controvert the reasoning of their opponents, without openly impugning the ancient policy of absolutely preventing the exportation of the precious metals. They did not, however, venture to contend, nor is there indeed any good reason for thinking that it really occurred to them, that the exportation of bullion to the East was advantageous, on the ground, that the commodities purchased by it were of greater value in England. But they contended, that the exportation of bullion to India was advantageous, because the commodities imported from thence were chiefly re-exported to other countries, from which a much greater quantity of bullion was obtained than had been required to pay them in India. Mr Thomas

Mun, the ablest of the Company's advocates, ingeniously compares the operations of the merchant in conducting a trade carried on by the exportation of gold and silver, to the seed-time and harvest of agriculture. " If we only behold," says he, " the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."*

Such was the origin of what has been called the MERCANTILE SYSTEM: And, when compared with the previous prejudice—for it hardly deserves the name of system,—which wholly interdicted the exportation of gold and silver, it must be allowed that its adoption was a considerable step in the progress to sounder opinions. The supporters of the mercantile system, like their predecessors, held that gold and silver alone constituted

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* Treasure by Foreign Trade, orig. ed. p. 50.—This work was published in 1664, a considerable period after Mr Mun's death. Most probably it had been written about 1635, or 1640. Mun had previously advanced the same doctrines, and nearly in the same words, in his Defence of the East India Trade, originally published in 1609, and reprinted in 1621, and in a petition drawn up by him, and presented by the East India Company to Parliament in 1628.

wealth; but they thought that sound policy dictated the propriety of allowing their exportation to foreigners, provided the commodities imported in their stead, or a portion of them, were afterwards sold to other foreigners for a greater amount of bullion than had been originally laid out on their purchase; or, provided the importation of the foreign commodities caused the exportation of so much more native produce than would otherwise have been exported, as would more than equal their cost. These opinions necessarily led to the celebrated doctrine of the *Balance of Trade*. It was obvious that the precious metals could not be imported into countries destitute of mines, except in return for exported commodities; and the grand object of the supporters of the mercantile system was to monopolise the largest possible supply of the precious metals, by the adoption of various complex schemes for encouraging exportation, and restraining the importation of almost all products, except gold and silver, that were not intended for future exportation. In consequence, the *excess of the value of the Exports over that of the Imports* came to be considered as being at once the sole cause and measure of the progress of a country in the career of wealth. This excess, it was taken for granted, could not be balanced otherwise than by the importation of an equal value of gold or silver, or of the only real

wealth it was then supposed a country could possess.

The principles and conclusions of the mercantile system, though absolutely false and erroneous, afford a tolerable explanation of a few very obvious phenomena; and what did more to recommend them, they were in perfect unison with the popular prejudices on the subject. The merchants, and practical men, who were the founders of this system, did not consider it necessary to subject the principles they assumed to any very refined analysis or examination. But, reckoning them as sufficiently established by the common consent and agreement of mankind, they applied themselves almost exclusively to the discussion of the practical measures calculated to give them the greatest efficacy.

"Although a kingdom," says Mr Mun, "may be enriched by gifts received, or by purchase taken, from some other nations, yet these are things uncertain, and of small consideration, when they happen. The ordinary means, therefore, to increase our wealth and treasure, is by foreign trade, wherein we must ever observe this rule—*to sell more to strangers yearly than we consume of theirs in value*. For, suppose, that when this kingdom is plentifully served with cloth, lead, tin, iron, fish, and other native commodities, we do yearly export the overplus to foreign countries to the

value of L. 2,200,000, by which means we are enabled, beyond the seas, to buy and bring in foreign wares for our use and consumption to the value of L. 2,000,000: By this order duly kept in our trading, we may rest assured that the kingdom shall be enriched yearly L. 200,000, which must be brought to us as so much treasure; because that part of our stock which is not returned to us in wares, must necessarily be brought home in treasure."*

The gain on our foreign commerce is here supposed to consist exclusively of the gold and silver which, it is taken for granted, must necessarily be brought home in payment of the excess of exported commodities. Mr Mun lays no stress whatever on the circumstance of foreign commerce enabling us to obtain an infinite variety of useful and agreeable products, which it would either have been impossible for us to produce at all, or to produce so cheaply at home. We are desired to consider all this accession of wealth—all the vast addition made by commerce to the motives which stimulate, and to the comforts and enjoyments which reward the labour of the industrious, as *nothing*,—and to fix our attention exclusively on the balance of L. 200,000 of gold and silver! This is much the same as if we were desired to estimate the comfort and ad-

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* Treasure by Foreign Trade, p. 11.

vantage derived from a suit of clothes, by the number and glare of the metal buttons by which they are fastened. And yet the rule for estimating the advantageousness of foreign commerce, which Mr Mun has here given, was long regarded by the generality of merchants and practical statesmen as infallible; and such is the inveteracy of ancient prejudices, that even now we are annually congratulated on the excess of our exports over our imports!

There were many other circumstances, however, besides the erroneous notions respecting the precious metals, which led to the enactment of regulations restricting the freedom of industry, and secured the ascendancy of the mercantile system. The feudal governments established in the countries that had formed the western division of the Roman Empire, early sunk into a state of confusion and anarchy. The princes, unable of themselves to restrain the usurpations of the greater barons, or to control their violence, endeavoured to strengthen their influence and consolidate their power, by attaching the inhabitants of cities and towns to their interests. For this purpose, they granted them charters, enfranchising the inhabitants, abolishing every existing mark of servitude, and forming them into corporations, or bodies politic, to be governed by a council and magistrates of their own selection. The order and

good government that were thus established in the cities, and the security of property enjoyed by their inhabitants, while the rest of the country was a prey to rapine and disorder, stimulated their industry, and gave them a decided superiority over the cultivators of the soil. It was from the cities that the princes derived the greater part of their supplies of money; and it was by their assistance and co-operation that they were enabled to control and subdue the pride and independence of the barons. But the citizens did not render this assistance to their sovereigns merely by way of compensation for the original gift of their charters. They were continually soliciting and obtaining new privileges. And it was not to be expected that princes, whom they had laid under so many obligations, and who justly regarded them as forming the most industrious and deserving portion of their subjects, should feel any great disinclination to gratify their wishes. To enable them to obtain cheap provisions, and to carry on their industry to the best advantage, the exportation of corn, and of the raw materials of their manufactures, was strictly prohibited; at the same time that heavy duties and absolute prohibitions were interposed to prevent the importation of manufactured articles from abroad, and to secure the complete monopoly of the home market to the home manufacturers. These, together with the privilege granted to the citizens of

corporate towns of preventing any individual from exercising any branch of business until he had obtained leave from them; and a variety of subordinate regulations intended to force the importation of the raw materials required in manufactures, and the exportation of manufactured goods, form the principal features of the system of public economy adopted, with the view of encouraging *manufacturing* industry, in every country in Europe, in the fourteenth, fifteenth, sixteenth, and seventeenth centuries. The freedom of industry recognised by their ancient laws was almost totally destroyed. It would be easy to mention a thousand instances of the excess to which this artificial system was carried in England and other countries; but as many of these instances must be familiar to the reader, I shall only observe, as illustrative of its spirit, that, by an act passed in 1678, for the encouragement of the English woollen manufacture, it was ordered that all *dead bodies* should be wrapped in a woollen shroud!

But the exclusion of foreign competition, and the monopoly of the home-market, were not enough to satisfy the manufacturers and merchants. Having obtained all the advantage they could from the public, they next attempted to prey on each other. Such of them as possessed most influence, procured the privilege of carrying on particular branches of industry to the exclusion of every other individual. This

abuse was carried to a most oppressive height in the reign of Elizabeth, who granted an infinite number of new patents. At length, the grievance became so insupportable, as to induce all classes to join in petitioning for its abolition: which, after much opposition on the part of the Crown, by whom the power of erecting monopolies was considered a very valuable branch of the prerogative, was effected by an act passed in 1624. This act has been productive of the greatest advantage; but it did not touch any of the fundamental principles of the mercantile or manufacturing system; and the exclusive privileges of all bodies-corporate were exempted from its operation.

In France the interests of the manufacturers were warmly espoused by the justly celebrated M. Colbert, minister of finances during the most splendid period of the reign of Louis XIV.; and the year 1664, when the famous tariff, compiled under his direction, was first promulgated, has been sometimes considered, by the Continental writers, though, as we have seen, most erroneously, as the real era of the mercantile system.*

The restrictions in favour of the manufacturers were all zealously supported by the advocates of the mercantile system, and the balance of trade. The facilities given to the exportation of goods

* See Mengotti, *Dissertazione sul Colbertismo*, cap. 11.

manufactured at home, and the obstacles thrown in the way of importation from abroad, seemed peculiarly well fitted for making the exports exceed the imports, and procuring a favourable balance. Instead, therefore, of regarding these regulations as the offspring of a selfish monopolizing spirit, they looked on them as having been dictated by the soundest policy. The interests of the manufacturers and merchants were thus naturally identified; and were held to be the same with those of the public. The acquisition of a favourable balance of payments was the grand *object* to be accomplished; and heavy duties and restrictions on importation, and bounties and premiums on exportation, were the *means* by which this object was to be attained. It cannot excite our surprise that a system having so many popular prejudices in its favour, and which afforded a plausible apology for the exclusive privileges enjoyed by the manufacturing and commercial classes, should have early attained, or that it should still preserve, notwithstanding the overthrow of its principles, a powerful practical influence.*

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* Melon and Forbonnais in France,—Genovesi in Italy,—Mun, Sir Josiah Child, Dr Davenant, the authors of the British Merchant, and Sir James Stewart, in England—are the ablest writers who have espoused, some with more and

"It is no exaggeration to affirm," says a late foreign writer, "that there are very few political errors which have produced more mischief than the mercantile system. Armed with power, it has commanded and forbid where it should only have *protected*. The regulating mania which it has inspired has tormented industry in a thousand ways, to force it from its natural channels. It has made each particular nation regard the welfare of its neighbours as incompatible with its own; hence the reciprocal desire of injuring and impoverishing each other; and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. It is this system which has stimulated nations to employ force or cunning to extort commercial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others. It has formed colonies, that the mother country might enjoy the monopoly of their trade, and force them to resort exclusively to her markets. In short, where this system has been productive of the least injury, it has retarded the progress of national prosperity; every where else it has deluged the earth with blood, and has depopulated and ruined some of those countries whose

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some with fewer exceptions, the leading principles of the mercantile system.

power and opulence it was supposed it would carry to the highest pitch." *

The shock given to previous prejudices and systems by those great discoveries and events, which will for ever distinguish the fifteenth and sixteenth centuries, and the greater attention which the progress of civilization and industry naturally drew to the sources of national power and opulence, prepared the way for the downfall of the mercantile system. The advocates of the East India Company, whose interest had first prompted them to question the prevailing doctrines as to the exportation of bullion, began gradually to assume a higher tone; and at length boldly contended that bullion was *nothing but a commodity*, and that its exportation ought to be rendered as free as the exportation of any other commodity. Nor were these opinions confined to the partners of the East India Company. They were gradually communicated to others; and many eminent merchants were taught to look with suspicion on several of the most received maxims; and were thus led to acquire more correct and comprehensive views in respect to the just principles of commercial intercourse. The new ideas ultimately made their way into the House of Commons; and in 1663, the statutes prohibiting

* Storch, Cours d'Economie Politique, Tome I. p. 122.

the exportation of *foreign coin and bullion* were repealed, and full liberty given to the East India Company, and to private traders, to export these articles in unlimited quantities.

In addition to the controversies respecting the East India trade, the discussions to which the foundation of the colonies in America and the West Indies, the establishment of a compulsory provision for the support of the poor, and the acts prohibiting the exportation of wool, &c. gave rise, attracted an extraordinary portion of the public attention to questions connected with the domestic policy of the country. In the course of the seventeenth century, a more than usual number of tracts were published on commercial and economical subjects. And although the greater number are strongly tinctured with the prevailing spirit of the age, it cannot be denied, that several of them rise above the prejudices of their contemporaries, and have an unquestionable right to be regarded as the foundation of the modern theory of commerce—as the earliest exposition of those sound and liberal doctrines, by which it has been shown, that the prosperity of states can never be promoted by restrictive regulations, or by the depression of their neighbours—that the genuine spirit of commerce is inconsistent with the dark, selfish, and shallow policy of monopoly—and that the *self-interest* of mankind, not less than their duty, requires them to

live in peace, and to cultivate a fair and friendly intercourse with each other.

Sir Josiah Child,* whose work, though it is founded on the principles of the mercantile system, contains many sound and liberal views, Sir William Petty,† and Sir Dudley North, are the most distinguished of the economical writers of the seventeenth century. The latter not only rose above the established prejudices of his time, but had sagacity enough to detect the more refined and less obvious errors that were newly coming into fashion. His tract, entitled, "*Discourses on Trade, principally directed to the Cases of Interest, Coinage, Clipping, and Increase of Money,*" published in 1691, contains a much more able statement of the true principles of commerce than any that had then appeared. He is throughout the intelligent advocate of all the great principles of commercial freedom. He is not, like the most eminent of his predecessors, well informed on one subject, and erroneous on another. His system is consistent and complete. He shows, that in commercial matters, nations have the same interests as individuals; and forcibly exposes the absurdity of supposing, that

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* *A New Discourse of Trade,* first published in 1668, but greatly enlarged and improved in the second edition, published in 1690.

† *Quantulumcunque,* published in 1682; *Political Anatomy of Ireland,* published in 1672; and other works.

any trade which is advantageous to the merchant can be injurious to the public. His opinions respecting the imposition of a seignorage on the coinage of money, and the expediency of sumptuary laws, then in great favour, are equally enlightened.

I shall subjoin, from the preface to this tract, an abstract of the general propositions maintained in it:

"THAT THE WHOLE WORLD AS TO TRADE IS BUT AS ONE NATION OR PEOPLE, AND THEREIN NATIONS ARE AS PERSONS.

"That the loss of a trade with one nation is not that only, separately considered, but so much of the trade of the world rescinded and lost, for all is combined together.

"THAT THERE CAN BE NO TRADE UNPROFITABLE TO THE PUBLIC; FOR IF ANY PROVE SO, MEN LEAVE IT OFF; AND WHEREVER THE TRADERS THRIVE, THE PUBLIC, OF WHICH THEY ARE A PART, THRIVE ALSO.

"That to force men to deal in any prescribed manner may profit such as happen to serve them; but the public gains not, because *it is taking from one subject to give to another.*

"That no laws can set prices in trade, the rates of which must and will make themselves. But when such laws do happen to lay any hold, it is so much impediment to trade, and therefore prejudicial.

"*That money is a merchandise, whereof there may be a glut, as well as a scarcity, and that even to an inconvenience.*

"THAT A PEOPLE CANNOT WANT MONEY TO SERVE THE ORDINARY DEALING, AND MORE THAN ENOUGH THEY WILL NOT HAVE.

"That no man will be the richer for the making much money, nor have any part of it, but as he buys it for an equivalent price.

"*That the free coynage is a perpetual motion found out, whereby to melt and coyn without ceasing*, and so to feed goldsmiths and coyners at the public charge.

"That debasing the coyn is defrauding one another, and to the public there is no sort of advantage from it; for that admits no character, or value, but intrinsick.

"That the sinking by alloy or weight is all one.

"*That exchange and ready money are the same, nothing but carriage and re-carriage being saved.*

"That money exported in trade is an increase to the wealth of the nation; *but spent in war, and payments abroad, is so much impoverishment.*

"In short, that ALL FAVOUR TO ONE TRADE, OR INTEREST, IS AN ABUSE, AND CUTS SO MUCH OF PROFIT FROM THE PUBLIC."

Unluckily this admirable tract never obtained any considerable circulation. There is good reason, indeed, for supposing that it was designedly sup-

pressed.* At all events, it speedily became excessively scarce; and I am not aware that it has ever been referred to by any subsequent writer on commerce.

The same enlarged and liberal views that had found so able a supporter in Sir Dudley North, were subsequently advocated to a greater or less extent by Locke,† the anonymous author of a pamphlet on the East India Trade,‡ Vanderlint,§ Sir Matthew Decker,|| Hume,¶ and Harris.** But their efforts were ineffectual to the subversion of the mercantile system. Their opinions respecting the nature of wealth were confused and contradictory; and as they neither attempted to in-

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* See the Honourable Roger North's *Life of his Brother, the Honourable Sir Dudley North*, p. 179.

† *Considerations on the Lowering of Interest and Raising the Value of Money*, 1691; and *Further Considerations on Raising the Value of Money*, 1695.

‡ *Considerations on the East India Trade*, 1701. This is a very remarkable pamphlet. The author has successfully refuted the various arguments advanced in justification of prohibition against importing East India manufactured goods; and has given a very striking illustration of the effects of the division of labour.

§ *Money Answers all Things*, 1734.

|| *Essay on the Causes of the Decline of Foreign Trade*, 1744.

¶ *Political Essays*, 1752.

** *Essay on Money and Coins*, 1757.

vestigate its sources, nor to trace the causes of national opulence, their arguments in favour of a liberal system of commerce had somewhat of an empirical aspect, and failed of making that impression which is always made by reasonings logically deduced from well established principles, and shown to be consistent with experience. Mr Locke unquestionably entertained very correct opinions respecting the paramount influence of labour in the production of wealth: but he did not prosecute his investigations with the view of elucidating the principles of this science, and made no reference to them in his subsequent writings. And though Mr Harris adopted Mr Locke's views, and deduced from them some practical inferences of great importance, his general principles are merely introduced by way of preface to his Treatise on Money, and are not explained at any length, or in that logical and systematic manner that is necessary in scientific investigations.

But, what the English writers had left undone was now attempted by a French philosopher, equally distinguished for the subtlety and originality of his understanding, and the integrity and simplicity of his character. This was the celebrated M. Quesnay, a physician, attached to the court of Louis XV. It is to him that the merit unquestionably belongs of having first attempted to investigate and analyze

the sources of wealth, *with the intention of ascertaining the fundamental principles of Political Economy;* and who thus gave it a systematic form, and raised it to the rank of a science. Quesnay's father was a small proprietor, and having been educated in the country, he was naturally inclined to regard agriculture with more than ordinary partiality. At an early period of his life he had been struck with its depressed state in France, and had set himself to discover the causes which had prevented its making that progress which the industry of the inhabitants, the fertility of the soil, and the excellence of the climate, seemed to insure. In the course of this inquiry he speedily discovered that the prevention of the exportation of corn to foreign countries, and the preference given by the regulations of Colbert to the manufacturing and commercial classes over the agriculturists, had formed the most powerful obstacles to the progress and improvement of agriculture. But Quesnay was not satisfied with exposing the injustice of this preference, and its pernicious consequences. His zeal for the interests of agriculture led him, not merely to place it on the same level with manufactures and commerce, but to raise it above them,—by endeavouring to show that it was the only species of industry which contributed to increase the riches of a nation. Founding on the indisputable fact, that every thing that either ministers to our

wants, or gratifies our desires, must be originally derived from the earth, Quesnay assumed as a self-evident truth, and as the basis of his system, that the *earth is the only source of wealth*; and held that industry was altogether incapable of producing any new value, except when employed in agriculture, including under that term fisheries and mines. His observation of the striking effects of the *vegetative* powers of nature, and his inability to explain the real origin and causes of *rent*, confirmed him in this opinion. The circumstance, that of those who are engaged in industrious undertakings, none but the cultivators of the soil paid rent for the use of *natural agents*, appeared to him an incontrovertible proof, that agriculture was the only species of industry which yielded a net surplus (*produit net*) over and above the expences of production. Quesnay allowed that manufacturers and merchants were highly useful; but, as they realised no net surplus in the shape of rent, he contended they did not add any greater value to the raw material of the commodities they manufactured or carried from place to place, than was just equivalent to the value of the capital or stock consumed by them during the time they were necessarily engaged in these operations. These principles once established, Quesnay proceeded to divide society into three classes; the *first*, or *productive* class, by whose agency all wealth was produced, consist-

ed of the farmers and labourers engaged in agriculture, who subsisted on a portion of the produce of the land reserved to themselves as the wages of their labour, and as a reasonable profit on their capital; the *second*, or *proprietary* class, consisted of those who lived on the rent of the land, or on the *net surplus produce* raised by the cultivators after their necessary expences had been deducted; and the *third*, or *unproductive* class, consisted of manufacturers, merchants, menial servants, &c., whose labour, though exceedingly useful, added nothing to the national wealth, and who subsisted entirely on the wages paid them by the other two classes. It is obvious, supposing this classification made on just principles, that all taxes must fall on the landlords. The third, or unproductive class, have nothing but what they receive from the other two classes; and if any deduction were made from the fair and reasonable profits and wages of the husbandmen, it would have the effect to paralyse their exertions, and consequently to spread poverty and misery throughout the land, by drying up the only source of wealth. It necessarily follows, therefore, on M. Quesnay's theory, that the entire expences of government, and the various public burdens, must, howsoever imposed, be ultimately defrayed out of the *produit net*, or rent of the landlords; and, consistently with this principle, he proposed that all the existing taxes should be repealed, and that a

single tax, (*Impot unique*,) laid directly on the net produce, or rent, of the land, should be imposed in their stead.

But, however much impressed with the importance of agriculture over every other species of industry, Quesnay did not solicit for it any exclusive favour or protection. He successfully contended that the interests of the agriculturists, and of all the other classes, would be best promoted by establishing a system of perfect freedom. He showed that it could never be for the interest of the proprietors and cultivators of the soil to fetter or discourage the industry of merchants, artificers, and manufacturers; that the greater the liberty they enjoyed, the greater would be their competition, and their services would, in consequence, be obtained so much the cheaper. Neither, on the other hand, could it ever be for the interest of the unproductive class to harass and oppress the agriculturists, either by preventing the free exportation of their products, or by any restrictive regulations whatsoever. When the cultivators enjoy the greatest degree of freedom, their industry, and, consequently, their net *surplus produce*—the only fund from which any accession of national wealth can be derived—will be carried to the greatest possible extent. According to this "liberal and generous system,"* the establish-

* Wealth of Nations, Vol. III. p. 17.

ment of perfect liberty, perfect security, and perfect justice, are the only, as they are the infallible, means of securing the highest degree of prosperity to all classes of the society.

"On a vu," says the ablest expositor of this system, M. Mercier de la Riviere, "qu'il est de l'essence de l'ordre que l'interet particulier d'un seul ne puisse jamais etre separée de l'interet commun de tous ; nous en trouvons une preuve bien convaincante dans les effets que produit naturellement et necessairement la plénitude de la liberté qui doit regner dans le commerce, pour ne point blesser la propriété. L'interet personnel encouragée par cette grande liberté, presse vivement et perpetuellement chaque homme en particulier, de perfectionner, de multiplier les choses dont il est vendeur ; de grossir ainsi la masse des jouissances qu'il peut procurer aux autres hommes, afin de grossir, par ce moyen, la masse des jouissances que les autres hommes peuvent lui procurer en echange. *Le monde* alors *va de lui meme ;* le desir de jouir, et la liberté de jouir ne cessant de provoquer la multiplication des productions et l'accroissement de l'industrie, ils impriment à toute la société, un mouvement qui devient une tendance perpetuelle vers son meilleur etat possible." *

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* *L'Ordre Naturel et Essentiel des Societes Politiques,* Tome II. p. 444.

It would greatly exceed the limits of this discourse, to enter into a full examination of the principles of this very ingenious theory. It is sufficient for my present purpose to remark, that, in assuming agriculture to be the only source of wealth, because the matter of which all commodities are composed must be originally derived from the earth, M. Quesnay and his followers mistook altogether the nature of production, and really supposed wealth to consist of matter; whereas, in its natural state, matter is very rarely possessed of immediate and direct utility, and *is always destitute of value.* It is only by means of the *labour* which must be laid out in appropriating matter, and in fitting and preparing it for our use, that it acquires exchangeable value, and becomes wealth. Human industry does not produce wealth by making any additions to the matter of our globe; this being a quantity susceptible neither of augmentation nor diminution. * Its real and only effect is to produce wealth *by giving utility to matter already in exist-*

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* ———————— *Rerumque novatrix*
Ex aliis alias reparat Natura figuras.
Nec perit in tanto quicquam (mihi credite) mundo;
Sed variat, faciemque novat: nascique vocatur,
Incipere esse aliud, quam quod fuit ante; morique,
Desinere illud idem. Cum sint huc forsitan illa,
Hæc translata illuc; SUMMA TAMEN OMNIA CONSTANT.
OVID. *Met.* Lib. 15, lin. 251.

ence ; and it has been repeatedly demonstrated, that the labour employed in manufactures and commerce is just as productive of utility, and consequently of wealth, as the labour employed in agriculture. The opinion of M. Quesnay, that the labour of man in agriculture is powerfully assisted by the productive powers of nature, but that in manufactures and commerce, he has to perform every thing himself without any such co-operation, is wholly destitute of foundation. It is unquestionably true, that nature renders the most important services to the agriculturist : The husbandman prepares the ground for the seed, and deposits it there ; but it is nature that unfolds the germ, that feeds and ripens the growing plant, and brings it to a state of maturity. It is easy, however, to see that nature does quite as much for us in every other department of industry. The powers of water and of wind, which move our machinery, support our ships, and impel them over the deep,—the pressure of the atmosphere, and the elasticity of steam, which enable us to work the most stupendous engines, are they not the spontaneous gifts of nature? In fact, the single and exclusive advantage of machinery consists in its having enabled us to press the powers of nature into our service, and to make them perform the principal part of what must have been otherwise wholly the work of man. In navigation, for example, is it possible to doubt that the powers of na-

ture,—the buoyancy of the water, the impulse of the wind, and the polarity of the magnet, contribute fully as much as the labour of the sailor to waft our ships from one hemisphere to another? In bleaching and fermentation, the whole processes are carried on by natural agents. And it is to the effects of heat in softening and melting metals, in preparing our food, and in warming our houses, that we owe many of our most powerful and convenient instruments; and that these northern climates have been made to afford a comfortable habitation. Neither is the cultivation of the soil, as M. Quesnay supposed, the only species of industry which yields a surplus produce after the expences of production are deducted. When agriculture is most productive, that is, when none but the best of the good soils are cultivated, no rent, or *produit net*, is obtained from the land; and it is only after recourse has been had to poorer soils, and when, consequently, the productive powers of the labour and capital employed in cultivation begin to diminish, that rent begins to appear: So that, instead of being a consequence of the superior productiveness of agricultural industry, rent is really a consequence of its becoming less productive than others!

The *Economical Table*, a formula constructed by M. Quesnay, and intended to exhibit the various phenomena attendant on the production of wealth, and its distribution among the productive,

proprietary, and unproductive classes, was published at Versailles, with accompanying illustrations, in 1758; and the novelty and ingenuity of the theory which it expounded, its systematic and scientific shape, and the liberal system of commercial intercourse which it recommended, speedily obtained for it a very high degree of reputation.* It is to be regretted that the friends and disciples of Quesnay, among whom we have to reckon the Marquis de Mirabeau, Mercier de la Riviere, Dupont de Nemours, Saint Peravy, Turgot, and other distinguished individuals, in France, Italy, and Germany, should, in their zeal for his peculiar doctrines, which they enthusiastically exerted themselves to defend and propagate, have exhibited more of the character of partizans, than of (what there is the best reason to think they really were) sincere and honest inquirers after truth. Hence it is that they have always been regarded as a sect, known by the name of *Economists*, or *Physiocrats*;—and that their works are characterised by an unusual degree of sameness.†

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* See Appendix, Note A, for some further remarks on the economical theory.

† The following are the principal works published by the French Economists:—

Tableau Economique, et Maximes Generales du Gouvernement Economique, par Francois Quesnay, 4to, Versailles, 1758.

But, in despite of all these defects, there can be no question that the labours of the French Economists powerfully contributed to accelerate the progress of economical science. In reasoning on subjects connected with national wealth,

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Theorie de l'Impot, par M. de Mirabeau, 4to, 1760.

La Philosophie Rurale, par M. de Mirabeau, 4to, and 3 Tomes, 12mo, 1763.

L'Ordre Naturel et Essentiel des Societes, Politiques, par Mercier de la Riviere, 4to, and 2 Tomes 12mo, 1767.

Sur l'Origine et Progrès d'une Nouvelle Science, par Dupont de Nemours, 1767.

La Physiocratie, ou Constitution Naturelle du Gouvernement le plus avantageux aux Genre Humain, Recueil des Principaux Ouvrages Economiques de M. Quesnay, rédigé et publié par Dupont de Nemours, 2 Tomes, 1767.

Lettres d'un Citoyen à un Magistrat, sur les Vingtiemes et les autres Impots, par l'Abbé Baudeau, 1768.

Memoire sur les Effets de l'Impôt indirect ; qui a remporté, le Prix proposé par la Société Royale d'Agriculture de Limoges, par Saint Peravy, 12mo, 1768.

Reflexions sur la Formation, et la Distribution des Richesses, par Turgot, 8vo, 1771. This is the best of all the works founded on the principles of the Economists ; and is, in some respects, the best work on Political Economy published previously to the Wealth of Nations.

The *Journal d'Agriculture, &c.* and the *Ephemerides du Citoyen*, contain a variety of valuable articles by Quesnay and other leading Economists. The *Ephemerides* was begun in 1767, and was dropped in 1775 ; it was first conducted by the Abbé Baudeau, and then by Dupont.

it was now found to be necessary to subject its sources, and the laws which regulate its production and distribution, to a more accurate and searching analysis. In the course of this examination, it was speedily ascertained that both the mercantile and economical theories were erroneous and defective; and that, to establish the science of Political Economy on a firm foundation, it was necessary to take a much more extensive survey, and to seek for its principles, not in a few partial and distorted facts, or in metaphysical abstractions, but in the connection and relation subsisting among the various phenomena manifested in the progress of civilization. The Count di Verri, whose *Meditations on Political Economy* were published in 1771, demonstrated the fallacy of the opinions entertained by the French economists respecting the superior productiveness of the labour employed in agriculture; and showed that all the operations of industry really consist of *modifications of matter already in existence.* * But Verri did not trace the

* *Accostare et seperare* sono gli unici elementi che l'ingegno umano ritrova analizando l'idea della riproduzione; e tanto e riproduzione di valore e di richezza se la terra, l'aria, e l'aqua ne' campi si trasmutino in grano, come se colla mano dello uomo il gluttine di un insetto si trasmuti in velluto, o vero alcuni pezzetti di metallo si organizzino a formare una ripetizione.—*Meditazioni sulla Economia Politica*, § 3.

consequences of this important principle; and, possessing no clear and definite notions of what constituted wealth, did not attempt to discover the means by which labour might be facilitated. He made some valuable additions to particular branches of the science, and had sufficient acuteness to detect errors in the systems of others; but the task of constructing a better system in their stead required talents of a far higher order.

At length, in 1776, our illustrious countryman Adam Smith published the "Wealth of Nations"—a work which has done for Political Economy what the Essay of Locke did for the philosophy of mind. In this work the science was, for the first time, treated in its fullest extent; and the fundamental principles, on which the *production* of wealth depend, placed beyond the reach of cavil and dispute. In opposition to the French Economists, Dr Smith has shown that *labour* is the only source of wealth, and that the wish to augment our fortunes and to rise in the world—a wish that comes with us from the womb, and never leaves us till we go into the grave—is the cause of wealth being saved and accumulated: He has shown that labour is productive of wealth when employed in manufactures and commerce, as well as when it is employed in the cultivation of the land: He has traced the various means by which labour may be rendered most effective; and has given a most admirable

analysis and exposition of the prodigious addition made to its powers by its *division* among different individuals, and by the employment of accumulated wealth, or *capital*, in industrious undertakings. Dr Smith has also shown, in opposition to the commonly received opinions of the merchants, politicians, and statesmen of his time, that wealth does not consist in the abundance of gold and silver, but in the abundance of the various necessaries, conveniences, and enjoyments of human life: He has shown that it is in every case sound policy, to leave individuals to pursue their own interest in their own way; that, in prosecuting branches of industry advantageous to themselves, they necessarily prosecute such as are, at the same time, advantageous to the public; and that every regulation intended to force industry into particular channels, or to determine the species of commercial intercourse to be carried on between different parts of the same country, or between distant and independent countries, is impolitic and pernicious—injurious to the rights of individuals—and adverse to the progress of *real* opulence and lasting prosperity.

The fact that the distinct statement of several of the most important of these principles, and that traces of them all, may be found in the works of previous writers, does not in the least detract from the real merits of Dr Smith. In adopting

the discoveries of others, he has made them his own; he has demonstrated the truth of principles on which his predecessors had, in most cases, stumbled by chance; has separated them from the errors by which they were previously incumbered; has traced their remote consequences, and pointed out their limitations; has shown their practical importance and real value—their mutual dependence and relation; and has reduced them into a consistent, harmonious, and beautiful system.

But, however excellent in many respects, still it cannot be denied that there are errors, and those too of no slight importance, in the "Wealth of Nations." Dr Smith does not say that in prosecuting such branches of industry as are *most advantageous* to themselves, individuals necessarily prosecute such as are at the same time MOST *advantageous to the public*. His leaning to the system of the Economists—a leaning perceptible in every part of his work—made him so far swerve from the principles of his own system, as to admit that individual advantage is not always a *true test* of the public advantageousness of different employments. He considered agriculture, though not the only productive employment, as the most productive of any; and he considered the home trade as more productive than a direct foreign trade, and the latter than the carrying trade. It

is clear, however, that all these distinctions are fundamentally erroneous. A state being nothing more than an aggregate collection of individuals, it necessarily follows, that whatever is most advantageous to them must be most advantageous to the state; and it is obvious, that the self-interest of those concerned will always prevent them from engaging in manufacturing and commercial undertakings, unless when they yield as large profits, and are, consequently, as publicly beneficial as agriculture. His opinion with respect to the unproductiveness of all labour, not realized in a fixed and vendible commodity, appears, at first sight, to rest on no better foundation than the opinion of the Economists with respect to the unproductiveness of commerce and manufactures; and its fallacy has been fully established by several late writers. These, however, are blemishes of inferior importance. The radical defect of the "Wealth of Nations" consists in the erroneous doctrines advanced with respect to the invariableness of the value of corn, and the effect of fluctuations in the rate of wages on prices: These have prevented its author from acquiring any clear and accurate notions respecting the nature and causes of rent, and the laws which govern the rate of profit; and have, in consequence, vitiated all that part of his work which treats of the distribution of wealth, and the principles of taxation.

But, after every allowance has been made for

these defects, enough still remains to justify us in considering Dr Smith as the real founder of the modern system of Political Economy. If he has not left us a perfect work, he has, at all events, left us one which contains a greater number of useful truths than have ever been given to the world by any other individual; and he has pointed out and smoothed the route, by following which, subsequent philosophers have been enabled to perfect much that he had left incomplete, to rectify the mistakes into which he had fallen, and to make many new and important discoveries. Whether, indeed, we refer to the soundness of its leading doctrines, to the liberality and universal applicability of its practical conclusions, or to the powerful and beneficial influence it has had on the progress and perfection of economical science, and still more on the policy and conduct of nations, Dr Smith's work must be placed in the foremost rank of those that have helped to liberalise, enlighten, and enrich mankind.

Mr Malthus's Essay on the "*Principle of Population*," published in 1798, was the first great contribution made to the science subsequently to the publication of the "Wealth of Nations." The fact that the population of every country has a natural and constant tendency not only to rise to the level of the means of subsistence, but to exceed them, had been frequently observed by previous writers,

and had been very strikingly illustrated by the late Mr Townsend in his "*Dissertation on the Poor Laws,*" published in 1786.* But though not the original discoverer of the principle of population, Mr Malthus was certainly the first to establish it on a secure foundation, and to show its vast consequence to a right understanding of almost all the great questions connected with the essential interests of society; and especially of those respecting the governing causes of the rate of wages and the condition of the poor. He has demonstrated, by an extensive and careful examination of the state of population in different countries, and in every stage of society, that *an increase in the means of subsistence is the only sure criterion of a real, and permanent, and beneficial increase in the numbers of any people;* that, so far from there being the least risk of population falling below the level of subsistence, the danger is *all* on the other side; that, instead of there being a deficiency, there is, generally speaking, an excess of numbers in every country, as compared with the means of subsistence; and that, if population were not kept down to its level by the prevalence of moral restraint, or of a proper degree of prudence in the formation of matrimonial connections, it would necessarily be

* See Note B at the end.

kept down by the prevalence of vice, want, and misery.

From the remotest antiquity down to our own times, it had been the uniform policy of legislators to give an artificial stimulus to population, by encouraging early marriages, and bestowing rewards on those who had reared the greatest number of children. But the doctrines of Mr Malthus show the mischievous nature of all interference with the natural progress of population, and have in this respect effected a complete change in the public opinion. They have shown, that every increase in the numbers of the people, occasioned by artificial expedients, and which is not either preceded or accompanied by a corresponding increase in the means of subsistence, can be productive only of misery, or of increased mortality;—that the difficulty never is to bring men into the world, but to feed, clothe, and educate them when there;—and that, so far from attempting to strengthen the principle of increase, we should invariably endeavour to control and regulate it.

A few words only will be required to satisfy the most sceptical, that the well-being and happiness of society must ever necessarily depend on the degree in which the principle of increase is subjected to prudential control and regulation. Those who are least conversant with the principles of the science are aware, that the market rate of wages is exclusively dependent on the proportion which the

capital of the country, or the means of employing labour, bears to the number of labourers. There is plainly, therefore, only one way of really improving the condition of the great majority of the community, or of the labouring class, and that is, *by increasing the ratio of capital to population.* If this be done, the rate of wages will be proportionally augmented, and the labourers will rise in the scale of society; whereas, if the ratio of capital to population be diminished, wages will be proportionally reduced, and the condition of the labourers changed for the worse. Unfortunately, the labourers have very little power over the increase or diminution of the national capital, but they are all-powerful in respect to the increase or diminution of the supply of labour. And if they had only good sense and intelligence sufficient to avail themselves of this power, they might, by understocking the market with labour, render their wages high, notwithstanding the demand for their services should happen to be diminished; while, if they do not avail themselves of this power, but allow the principle of population to exert its natural tendency to overstock the market with labour, wages will be low, to whatever extent the demand for labour may be increased. It appears, therefore, that the lower classes are in a very great degree the arbiters of their own fortune. What others can do for them is really, to use Mr Malthus's words, but *as the dust of the balance compared*

with what they can do for themselves. Nor is there any very great reason to think that their condition will ever be materially improved, until they are made acquainted with the circumstances which govern the rate of wages, and are impressed with an intimate conviction of the important and unquestionable truth, that they are themselves the masters of the *only* means by which their command of the necessaries and comforts of life can be materially extended.

These statements, though necessarily very brief and imperfect, are yet sufficient to show the utter fallacy of the opinions advanced by those who argue that the principles and conclusions of the Essay on Population are unfavourable to human happiness. The ignorant abuse with which Mr Malthus has been so perseveringly assailed, disgraceful as it is to its authors, can have but little influence in retarding the adoption of juster views: and the more general dissemination of the elementary principles of the science afford good grounds for hoping, that the period is not very far distant when the prejudices and misrepresentations so industriously propagated on this subject, will have lost much of their influence, and when it will be generally admitted, that it is by the *condition* of the people—by the extent of their command over the necessaries and enjoyments of human life, and *not* by their *numbers*, that their happiness is to be

estimated; and that the extent of this command must, generally speaking, depend on the prudence and discretion displayed in supplying the market with labour. *

The *Traité d'Economie Politique* of M. J. B. Say of Paris, the first edition of which appeared in 1802, would deserve to be respectfully mentioned in a sketch of the progress of Political Economy, were it for nothing else than the effect that his well-digested and luminous exposition of the principles of Dr Smith has had in accelerating the progress of the science on the Continent. But in addition to the great and unquestionable merit that it possesses from its clear and logical arrangement, and the felicity of many of its illustrations, "it is enriched with several accurate, original, and profound discussions." † Of these, the explanation of the real nature and causes of *gluts* is decidedly the most important and valuable. M. Say has shown that no conceivable increase of

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* These observations apply exclusively to the doctrines respecting population advocated by Mr Malthus, and are not meant to express any approbation of that system of Political Economy, to which he has given his support. On the contrary, many of the principles of that system seem to me fundamentally erroneous, and to be pregnant with the most pernicious consequences.

† Preface to Mr Ricardo's *Principles of Political Economy.*

the powers of production can ever occasion a general glut, or overloading of the market.—Too much of one commodity may occasionally be produced; but he has proved that it is quite impossible there can be too great a supply of every species of commodities. For every excess there must be a corresponding deficiency. A man is stimulated to produce, when he finds a ready market for the products of his industry, that is, when he can readily exchange them for other products. And hence it is that the true and only genuine encouragement of industry consists, not, as had been formerly supposed, in the increase of unproductive and wasteful expenditure, but in *the increase of production.* Every new product necessarily forms a new equivalent, or a new means of purchasing some other commodity. A glut never originates in over production, but in the production of commodities which do not suit the tastes of those with whom we wish to exchange them, or which we cannot ourselves consume. If we attend to these two grand requisites, we may increase the power of production a thousand or a million of times, and we shall be just as free of all excess as if we diminished it in the same proportion. Unproductive expenditure is not, therefore, necessary to prevent the overloading of the market; and to maintain that it contributes to increase national wealth in any other way, is really

just the same thing as to maintain, that wealth would be increased by throwing a portion of it into the sea or the fire!

While M. Say was thus successfully cultivating the science in France, it was every day rising in importance, and acquiring fresh converts in England. The extraordinary changes occasioned by the late war in every department of the public economy, deeply affecting, as they necessarily did, the interests of all classes, created the most anxious and universal attention. The experience of previous centuries was crowded into the short space of thirty years; and new combinations of circumstances not only served as a test whereby to try existing theories, but enabled even inferior writers to extend the boundaries of the science, and to become the discoverers of new truths. It is not too much to say, that the discussions that grew out of the enactment of the restriction on cash payments by the Bank of England, and the consequent depreciation of the currency, have *perfected* the theory of money: and the discussions respecting the policy of restrictions on the corn trade, and the causes of the heavy fall of prices which took place subsequently to the late peace, by inciting some of the ablest men that this country has ever produced to investigate the laws regulating the price of raw produce, the rent of land, and the rate of profit, have elicited many most important and uni-

versally applicable principles, and have given birth to a work rivalling the "Wealth of Nations" in importance, and excelling it in profoundness and originality.

The first considerable step towards the successful investigation of the laws which regulate the distribution of wealth among the various classes of society, was made in 1815, when the real nature, origin, and causes of rent were, for the first time, explained in two pamphlets of extraordinary merit, published nearly at the same moment by "A Fellow of University College, Oxford," * and Mr Malthus. But the investigations of these gentlemen, though of great importance, were comparatively limited in their object; and it was reserved for Mr Ricardo to carry his researches into every department of the science, to correct errors sanctioned by the highest authority, and to elucidate and establish many hitherto undiscovered, and most important principles. The appearance of his work on the "*Principles of Political Economy and Taxation*" in 1817, forms a new and memorable era in the history of the science. Exclusive of many admirable correlative discussions, Mr Ricardo has here analyzed the principles which determine the exchangeable value of commodities, and has given

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* Mr West, a Barrister.

a full view of the science of the distribution of wealth. The powers of mind displayed in these investigations,—the dexterity with which the most abstruse and difficult questions are unravelled,—the unerring sagacity with which the operation of general and fixed principles is investigated,—the skill with which they are separated and disentangled from such as are of a secondary and accidental nature,—and the penetration with which their remotest consequences are perceived and estimated, have never been surpassed; and will for ever secure the name of Ricardo a high and conspicuous place in the list of those who have done most to unfold the complex mechanism of society, and to carry this science to perfection.

The fundamental principle maintained by Mr Ricardo in this great work is, that the exchangeable value, or relative worth of commodities, as compared with each other, depends exclusively on *the quantities of labour necessarily required to produce them.* Dr Smith was of opinion that this was the principle which determined the exchangeable value of commodities in the earliest stages of society, before land had been appropriated and capital accumulated; but he supposed that, after land had become property and rent began to be paid, and after capital had been amassed and workmen began to be hired by capitalists, the value of commodities would necessarily fluctuate,

not only according to the variations in the quantity of labour required to produce and bring them to market, but also according to the rise and fall of rents and wages. But Mr Ricardo has shown that Dr Smith erred in making this distinction; and that the same principle which determines the value of commodities in the earliest and rudest stages of society, continues to determine it in those that are most cultivated and refined. In establishing this novel and most important doctrine, Mr Ricardo derived considerable assistance from the previous inquiries of Mr Malthus and Mr West on the subject of rent; but he had no precursor in the far more difficult and complicated inquiries respecting the effects of the accumulation of capital, and of fluctuations in the rate of wages on value. Inasmuch, however, as the merest outline of the analysis and reasonings of Mr Ricardo, in the prosecution of these inquiries, would far exceed my present limits, I can do no more than state their results, which may be thus summed up—1st, That rent is altogether extrinsic to the cost of production; 2d, That capital being the produce of previous labour, and having no value except what it derives from that labour, the fact of the value of the commodities produced by its agency being always determined by the quantities of capital laid out or wasted in their production, shows that it is really determined by the *quantities of labour* bestowed on

them ; and 3d, That a *rise of wages* occasions a *fall of profits*, and not a rise in the price of commodities, and a *fall* of wages a *rise of profits*, and not a fall of prices.

These conclusions are all of the last degree of importance; and by establishing them, Mr Ricardo gave a new aspect to the whole science. But these form a part only of the truths brought to light in his work. Having ascertained that profits vary inversely as wages, Mr Ricardo applied himself to discover the circumstances which determine the rate of wages, and which consequently determine profits. These he found to depend on the cost of producing the articles required for the consumption of the labourer. However high the price of such articles may rise, the labourer, it is plain, must always receive such a supply of them as is sufficient to enable him to exist, and continue his race. And, as raw produce must ever form a principal part of the subsistence of the labourer, and as its price has a constant tendency to rise, because of the constantly increasing sterility of the soils to which recourse must be had in advancing societies,* it follows that wages must also have a

* The rise in the price of raw produce, occasioned by the decreasing fertility of the soils to which every advancing society must resort, was, I believe, first distinctly shown in a work, in which there are many just and ingenious, inter-

constant tendency to rise, and profits to fall, with the increase of wealth and population. That such a fall of profits invariably takes place in the progress of society, is a fact of which there neither is nor can be any doubt. It had, however, been universally supposed that this fall was a consequence of the increase of capital, or rather of the increased competition of its possessors, or of their efforts to undersell each other. But Mr Ricardo has shown the fallacy of this opinion; and has proved that all permanent reductions in the rate of profit are a consequence of an increase in the rate of wages, caused by the greater cost of the raw produce obtained from the poorer soils successively brought under cultivation as population is augmented.

Such will be found to be a correct statement of

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mixed with many fanciful and erroneous views, entitled, *Principes de tout Gouvernement*, in 2 vols. 12mo, published in 1766. The author has, on one occasion, hit upon the real origin of rent,—"*Quand les cultivateurs, devenus nombreux,*" says he, "*auront défriché toutes les bonnes terres; par leur augmentation successive, et par la continuité du défrichement, il se trouvera un point ou il sera plus avantageux à un nouveau colon de prendre a ferme des terres fecondes, que d'en défricher de nouvelles beaucoup moins bonnes.*"—(Tome I. p. 126.) It is plain, however, from his not reverting to the subject, that he was not at all aware of the importance of the principle he had stated; and it is apparent, indeed, from other passages in the work, that he supposed rent entered into price.

the import of the leading doctrines promulgated by Mr Ricardo. In establishing them he has made a very great addition to the mass of useful and universally interesting truths; and has exhibited some of the finest examples to be met with of discriminating analysis and profound and refined discussion. His doctrines are not, as has sometimes been stated, merely speculative. On the contrary, they enter deeply into almost all the investigations of the science. That part of Mr Ricardo's work, in which he applies his principles to discover the real incidence and effect of taxes on rent, profit, wages, and raw produce, is altogether practical, and must always be a subject of careful study to those who wish to render themselves thoroughly acquainted with this great department of economical science.

The brevity with which Mr Ricardo has stated some of his most important propositions, the deficiency of illustration, and the mathematical cast he has given to his reasoning, render it somewhat difficult to readers, unaccustomed to such investigations, readily to follow him. Those, however, who give to his works the attention of which they are so worthy, will find them to be no less logical and instructive than they are profound and important. It was the opinion of Quintilian, that the students of eloquence who were highly delighted with Cicero had made no inconsiderable progress in their art;

and the same may without hesitation be said of the students of Political Economy who are well pleased with the works of Mr Ricardo.—*Sciat se non parum profecisse cui Ricardo valde placebit.*

The study of Mr Ricardo's work, and of the science in general, has been much facilitated by the labours of late writers. Without touching on any of the difficult or controverted points, Mrs Marcet has, in her "*Conversations on Political Economy*," illustrated and explained the elementary and leading principles, established by Dr Smith, Mr Ricardo, and others, with singular skill and perspicuity, and in such a way as cannot fail, while it facilitates the progress of the student, to interest him in the science, and to excite his attention. Mr Mill's "*Elements of Political Economy*" is a work of a higher order; and is, perhaps, better calculated for the use of those who are considerably advanced in the science than of beginners. Mr Mill touches on almost every topic of discussion: He has disentangled and simplified the most complex and difficult questions; has placed the various principles which compose the science in their natural order; and has shown their connection with and dependence on each other. Mr Mill's object being only to give a strictly logical deduction of the principles of Political Economy, he has not attempted to illustrate his doctrines by references either to past or present circumstances or institutions; and though his work

may on that account be less generally interesting, it is so much the better calculated to fix the connection of the great truths of the science in the mind of those who have already studied them in detail.

The science of Political Economy was long confounded with that of Politics; and it is undoubtedly true that they are very intimately connected, and that it is frequently impossible to treat those questions which strictly belong to the one without referring more or less to the principles and conclusions of the other. But, in their leading features, they are sufficiently distinct. The laws which regulate the production and distribution of wealth are the same in every country and stage of society. Those circumstances which are favourable or unfavourable to the increase of riches and population in a republic may equally exist, and will have exactly the same effects, in a monarchy. That security of property, without which there can be no steady and continued exertion—that freedom of engaging in every different branch of industry, so necessary to call the various powers and resources of human talent and ingenuity into action—and that economy in the public expenditure, so conducive to the accumulation of national wealth—are not the exclusive attributes of any particular species of government. If free states

generally make the most rapid advances in wealth and population, it is an indirect rather than a direct consequence of their political constitution. It results more from the greater probability that the right of property will be held sacred—that the freedom of industry will be less fettered and restricted,—and that the public income will be more judiciously levied and expended under a popular government, than from the mere circumstance of a greater proportion of the people being permitted to exercise political rights and privileges. Give the same securities to the subjects of an absolute monarch, and they will make the same advances. Industry does not require to be stimulated by extrinsic advantages. The additional comforts and enjoyments which it procures have always been found sufficient to ensure the most persevering and successful exertions. And whatever may have been the form of government, those countries have always advanced in the career of improvement, in which the public burdens have been moderate, the freedom of industry permitted, and every individual enabled peaceably to enjoy the fruits of his labour. It is not, therefore, so much on its political organization, as on the talents and *spirit* of its rulers, that the wealth of a country is principally dependent. Economy, moderation, and intelligence on the part of those in power, have frequently elevated absolute monarchies to a very

high degree of opulence and of prosperity; while, on the other hand, all the advantages derived from a more liberal system of government have not been able to preserve free states from being impoverished and exhausted by the extravagance, intolerance, and short-sighted policy of their rulers.

The sciences of Politics and of Political Economy are, therefore, sufficiently distinct. The politician examines the principles on which government is founded; he endeavours to determine in whose hands the supreme authority may be most advantageously placed; and unfolds the reciprocal duties and obligations of the governing and governed portions of society. The political economist does not take so high a flight. It is not of the constitution of the government, but of its ACTS only, that he is called upon to judge. Whatever measures affect the production or distribution of wealth, necessarily come within the scope of his observation, and are freely canvassed by him. He examines whether they are in unison with the just principles of economical science. If they *are*, he pronounces them to be advantageous, and shows the nature and extent of the benefits of which they will be productive; if they *are not*, he shows in what respect they are defective, and to what extent their operation will be injurious. But he does this without inquiring into the constitution of the government by which these measures have been adopted. The

circumstance of their having emanated from the privy council of an arbitrary monarch, or the representative assembly of a free state, though in other respects of supreme importance, cannot affect the immutable principles by which the economist is to form his opinion upon them.

Besides being confounded with Politics, Political Economy has sometimes been confounded with Statistics; but they are still more easily separated and distinguished. The object of the statistician is to describe the condition of a particular country at a particular period; while the object of the political economist is to discover the causes which have brought it into that condition, and the means by which its wealth and riches may be indefinitely increased. He is to the statistician what the physical astronomer is to the mere observer. He takes the facts furnished by the researches of the statistician, and after comparing them with those furnished by historians and travellers, he applies himself to discover their relation. By a patient induction—by carefully observing the circumstances attending the operation of particular principles, he discovers the effects of which they are really productive, and how far they are liable to be modified by the operation of other principles. It is thus that the relation between rent and profit—between profit and wages, and the various general laws which regulate and connect the appa-

rently clashing, but really harmonious interests of every different order in society, have been discovered, and established with all the certainty of demonstrative evidence.

Such is the peculiar situation of this country, that economical questions must long continue to occupy a very prominent place in almost every discussion on public affairs, both in and out of Parliament. Some of these questions are as refined and delicate as they are intimately and closely connected with the public interests. And it is the duty of all who do not voluntarily choose to relinquish the noblest and most valuable privilege enjoyed by the citizens of a free state—that of expressing their opinion on the conduct of public affairs—to qualify themselves for its proper exercise. Neither must it be supposed, that it is possible for any one to prepare himself for the discussion of a particular branch of Political Economy, without being previously well acquainted with its general and fundamental principles. There is no short road—no *via regia*—to conduct the student to its results, any more than to those of mathematics. It is not a science in which it is practicable to jump to conclusions. It has no one insulated point. Its truths all partake of one common essence; they are all deduced from the same

fundamental principles; and necessarily depend upon and grow out of each other. An over anxiety to grasp at its ultimate results and practical conclusions, is the natural and common error of those who are beginning the study; and it is one that ought to be most particularly guarded against; for it is abundantly certain, that those who are not thoroughly conversant with the principles of the science, and with their connection and relation, will never be able to form even a probable conjecture as to the effects of any new measure, or to distinguish between the truth or falsehood of any new opinion or theory.

It is almost unnecessary to say how indispensable it is, to the ends of good government, that legislators should be well instructed in this science. *Hæc cognitio ad viros civiles proprie spectat.* In financial and commercial legislation, it is impossible to make a single false step,—to impose a single injudicious tax or restriction,—without materially affecting the interests of every individual, and actually endangering the subsistence of many families. Rectitude of intention affords no security against error; and measures intended to hasten the progress of improvement will, if not founded on sound principles, prove productive only of disaster and disgrace.

The principles of Political Economy really form the "LEGES LEGUM, *ex quibus*," to use the expressive language of Lord Bacon, "*informatio peti*

possit, quid in singulis legibus bene aut perperam positum aut constitutum sit." The destiny of a nation, governed by ministers ignorant of this science, is made wholly to depend on accident or caprice. They may adopt a good system of policy, or they may adopt a bad one: If they adopt a good system, being ignorant of the cause of the prosperity and happiness that will result from it, they can have nothing, better than official routine, to induce them steadily to persevere in the course on which they have fortuitously entered. And if, on the other hand, they adopt a bad system, they will be equally ignorant of the cause of the misery it must infallibly occasion, and consequently of the means of escaping it.

It is a profound and intimate, not a superficial and general, knowledge of the just principles and conclusions of economical science, that can alone enable the statesman to appreciate the bearings and effect of different institutions and measures, and consequently to adopt those that are most for the national advantage. A person may be able to declaim with spirit and eloquence on the advantages of free trade, and unrestricted competition in all the departments of industry, and yet be miserably ignorant of many fundamental and most important principles. It is a vulgar error to suppose that these principles all lie on the surface: many of them eluded the observation of

Quesnay and Smith; and these, we may be assured, are not to be understood without serious study and patient attention. Neither is there so much as the shadow of a foundation for supposing, as is sometimes done, that the new doctrines respecting value, rent, profits, &c. though extremely well fitted to exercise the ingenuity of speculative men, are foreign from the business of real life, and do not lead to any useful practical conclusion. Without being acquainted with the principles which determine exchangeable value, it is impossible ever to form a clear conception of the effect of fluctuations in the rate of wages on prices and profits; and without being acquainted with the laws which govern rent and wages, it will be found to be equally impossible to determine the real incidence of any tax, or to arrive at any sound conclusion in the questions that are every day arising in commercial and financial legislation.

How wide a range of scientific principle is necessary to the proper discussion of the restrictions on the corn trade! No one, indeed, who is instructed in the elementary doctrines with respect to commerce, can hesitate about laying it down broadly, that the national wealth will be more effectually promoted, by permitting corn, like any other commodity, to be bought wherever it can be had for the least price. But if you wish to ascertain the actual effect of the restriction on importation on

the rate of wages and of profits—or to know how much of the increased price of corn which it occasions goes into the pockets of the landlords, and how much is absolutely lost, you must call to your aid all the principles of the science.

It has frequently been argued, that though the study of Political Economy be essentially necessary to legislators, and to individuals of rank and fortune, it can be of comparatively little use to those in the middle and lower walks of life. But this poor apology for ignorance is entirely founded on a most mistaken and fallacious idea. The great and increasing influence of public opinion—an influence which gives an impress to all the acts of government, and to which, when firmly and deliberately expressed, the proudest minister must consent to bow, renders it of the utmost importance that the public should be well informed on all matters affecting the best interests of the state. So long, however, as the bulk of the people are unacquainted with the elementary doctrines and conclusions of this science, so long must they continue wholly ignorant of the principal causes of national wealth and national poverty, and, consequently, of the circumstances which really determine their condition in life. A people thus uninstructed must, if they express any opinion on public affairs, necessarily express one that has been taken up blindly and capriciously. The judg-

ments of such as are ignorant of principle can be dictated only by prejudice; and having no means of distinguishing between the immediate and transitory and the ultimate and lasting effects of any measure, they become the ready and unsuspecting dupes of the shallowest artifices. If those who have not endeavoured to inform themselves respecting the circumstances which determine the various degrees of national happiness and prosperity were to remain mere passive spectators of events, their ignorance would not be so extremely pernicious: But, as they are not aware of their incapacity to judge, they invariably take a share in the discussion of public measures, and by their misdirected zeal, numbers, and energy, have often insured the triumph of such as were most destructive to themselves.

There is a peculiarity in the political and economical sciences which deserves to be noticed, inasmuch as it serves to show the superior necessity and importance of general instruction in their principles. The peculiarity in question originates in the circumstance of the politician or economist being extremely apt to be influenced by other considerations than a regard to the interests of truth and the public welfare. The cultivators of the mathematical and physical sciences can very rarely have any motive to bias their judgments, or to induce them to conceal or pervert the truth. But such is

not the case with those who discuss political or economical questions. Every abuse, and every vicious and unjust institution and regulation, operates as a bounty on the production of false theories; for, though injurious to the public, they are almost always productive of advantage to a greater or smaller number of individuals, who, to preserve this advantage, enlist a portion of the press into their service, and labour, by means of perverted and fallacious statements, to make the public believe that the abuse is really beneficial to them, and that they are interested in its support. These attempts to make the *worse* appear the *better* cause, or to make the most flagrant abuses be viewed as national benefits, have very often been attended with complete success. And there are plainly no means of obviating this evil, of correcting what is really disadvantageous in the influence of the press, and of preventing the public from being misled by the specious sophistry of those whose interest and object is to delude them, except by making them generally acquainted with the elementary and fundamental truths of this science. Few can honestly say with the poet, *Video meliora proboque deteriora sequor!* Ignorance is the impure and muddy fountain whence nine-tenths of the vice, misery, and crime, to be found in the world are really derived. Make the body of the people once fully aware of the circumstances which really determine their

condition, and you may be assured that an immense majority will endeavour to turn that knowledge to good account. If you once succeed in convincing a man, that it is *for his interest* to abandon one line of conduct and follow another, the chances are ten to one that he will do so. I do not mean to say, that there is any great reason to expect that any measures, which it is in the power either of government or individuals to adopt, for diffusing a knowledge of the principles of Political Economy, would have any very material immediate effect on the habits of the multitude. The seeds of instruction, though sown under the most favourable auspices, often require many seasons to bring them to their full maturity. But if there be little room for the formation of eager hopes of early improvement, there is none for despondency. The harvest of sound instruction, though late, will, in the end, be most luxuriant; and will amply reward the labours of those who are not discouraged in their patriotic efforts to make education embrace objects of real and palpable utility, by the difficulties and obstacles they must expect to encounter in the commencement and progress of their labours.

In my Course of Lectures, I have frequent occasion to refer to various instances, among the innumerable variety that might be pointed out, both in the history of this and other countries, to

show the injurious effects of popular ignorance on national prosperity. How often, for example, have all the evils of scarcity been aggravated by the groundless prejudices of the public against corn-dealers? How often have restrictions and prohibitions been solicited by those to whom they proved productive only of ruin? How often have the labouring classes endeavoured to prevent the introduction and improvement of machines and processes for abridging labour, and reducing the cost of production, though it is certain that they are uniformly the greatest gainers by them? How much has the rate of wages been reduced, and the condition of the lower classes deteriorated, by the prevalence of mistaken opinions respecting the principle of population; and the mistaken application of public charities? The object of the famous excise scheme, proposed by Sir Robert Walpole in 1733, was not to raise the duties on any commodity whatever, but to introduce the warehousing and bonding system—"*To make London a free port, and by consequence the market of the world.*"* And yet the mere proposal of this scheme had well nigh lighted up the flames of rebellion in the country, and its abandonment by the

* Sir Robert Walpole's speech on the introduction of the Excise scheme.—Coxe's Life of Sir R. Walpole, Vol. I. p. 372, 4to ed.

minister was hailed with the most earnest and enthusiastic demonstrations of popular rejoicing: And such is the strength of vulgar prejudice, that it was not until 1803 that the warehousing system—the greatest improvement that has perhaps ever been made in the financial and commercial policy of the country—was adopted.

But where examples of this sort are so numerous and striking as to arrest the attention of every one, it is unnecessary to specify them. I shall only, therefore, further observe, that the American war, and the greater part of the wars of last century, with the exception of those that grew out of the French Revolution, were waged for the purpose of preserving or acquiring some exclusive commercial advantage. But does any one suppose that these contests could have been carried on, at such an infinite expence of blood and treasure, had the mass of the people known that their object was utterly unattainable? —had they known that it is impossible for any one country to monopolize wealth and riches; and that every such attempt must ultimately prove ruinous to itself, as well as injurious to others? It is to Political Economy that we owe an incontrovertible demonstration of these truths;—truths that are destined to exercise the most salutary influence on humanity—to convince mankind that it is for their interest to live in peace, to deal with

each other on fair and liberal principles, and not to become the dupes of their own short-sighted avarice, or the willing instruments of the blind ambition, or petty animosities, of their rulers.

" A commercial war," says a writer who had the honour to be employed to compose a treatise on trade for the particular use of his late Majesty, " whether crowned with victory or branded with defeats, can never prevent another nation from becoming more industrious than you are; and if they are more industrious, they will sell cheaper; and, consequently, your customers will leave your shop and go to theirs. This will happen though you covered the ocean with fleets and the land with armies. The soldier may lay waste, the privateer, whether successful or unsuccessful, will make poor; but it is the eternal law of Providence, that ' *the hand of the diligent can alone make rich.*' "*

England is the native country of Political Economy; but she has not treated it with a kind and fostering hand: She cannot boast of being the first to perceive the advantage of rendering it a branch of popular instruction, or to form establishments for that purpose. It is to Italy, or rather to an Italian

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* Dean Tucker's *Four Tracts on Commercial and Political Subjects*, p. 41, 3d edit.

citizen, Bartholomew Intieri, a Florentine, celebrated by his countrymen for the variety of his useful attainments, and the benevolence of his character, that this honour is due. Having resided long in Naples, in the capacity of manager of the estates of the Corsini and Medici families, Intieri necessarily became familiar with many of the abuses with which every part of the internal administration of that country was infected; and being strongly impressed with a conviction, that the easiest, safest, and most effectual reform of these abuses, would be produced by rendering the public generally acquainted with the genuine sources of national wealth and prosperity, and of poverty and misery, he determined to show his gratitude to the Neapolitans for the kindness he had experienced during his residence amongst them, by instituting a course of lectures on this science. For this purpose, Intieri applied to the Neapolitan government to be permitted to found a professorship of Political Economy in the University of Naples, to which a salary of 300 scudi should be attached, stipulating that the lectures should be given in the Italian language; that his distinguished friend Genovesi should be the first professor; and that, after his death, no individual in holy orders should be appointed to the chair. The Government having, greatly to its credit, agreed to these conditions, Genovesi opened his

class on the 5th of November 1754. His lectures, which were very successful, were published in 1764, in two volumes octavo, under the title of *Lezioni di Commercio o sia di Economia Civile.** In 1769, the Empress Maria Theresa founded a similar chair in the University of Milan, and appointed the justly celebrated Marquis Beccaria its first professor. But it is not in countries subjected to arbitrary governments, and deprived of the freedom of the press, that lectures on Political Economy can be of any considerable service. The timid and jealous rulers of Naples and Austria speedily took fright at the existence of institutions which the enemies of improvement taught them to fear might have the effect to excite dissatisfaction; and the chairs founded by Intieri and Maria Theresa were in consequence suppressed.

The study of Political Economy has, however, met with considerable encouragement in Russia from the Emperor Alexander. M. Henri Storch composed, at his desire, a course of lectures for the Grand Dukes Nicholas and Michael, which were published in 1815

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* See the article Genovesi, written by Salfi, in the *Biographie Universelle*; and the notice of his life prefixed to his economical works in the 14th volume of the *Scrittori Classici Italiani di Economia Politica*. Intieri died in 1757, in his 80th year.

under the title of *Cours d'Economie Politique.** This work reflects the greatest credit on its author, and does honour to the liberality of the government, at whose expence it was published. Besides a clear and able exposition of the most important principles respecting the production of wealth and the freedom of commerce and industry, M. Storch's work contains many excellent disquisitions on subjects that have engaged but little of the attention of the English and French Economists. His accounts of the slave system of ancient Rome and modern Russia, and of the paper money of the different continental states, are exceedingly interesting and instructive. Without the remotest intention of depreciating the labours of others, I conceive that I am fully warranted in placing the work of M. Storch at the head of all the works on Political Economy ever imported from the Continent into England.

But while arbitrary princes have appointed professors to instruct their subjects in the principles of this master science of civil life, it has been left to struggle in this country without any public patronage against the prejudices of ignorance, interest, authority, and fashion. The nation which of all

* The Petersburgh edition of this work is in 6 vols. 8vo. An edition was published at Paris in 1823, with notes by M. Say, in 4 vols.

others is most interested in the progress of Political Economy,—whose financial and commercial system is most complicated, and where public opinion has the greatest influence on the conduct of government,—is almost the only one in Europe that has made no effort to facilitate its general acquisition; or to introduce it, under the superintendence of separate professors, into those establishments where it would be recommended by so many old associations, and adventitious attractions to the future Legislators of the country. This is the more extraordinary, as the public have, on many occasions, derived the most essential benefit from the labours and researches of the cultivators of this science; and as its paramount importance is now universally admitted. There is good reason, however, for thinking that Political Economy will not be much longer subjected to such unmerited neglect. The ascendancy which those statesmen who are supposed to be familiar with its principles have obtained in Parliament and in the country, is a most gratifying circumstance. It shows that science is at last meeting with that consideration to which it has so many and such powerful claims; that the taste for declamation is on the wane; and that it is now beginning to be thought quite as necessary to understand the principles on which the decision of all questions connected with the public economy of the

country ought to depend, as it is to be able to embellish them with the choicest and most splendid diction.

The foundation of the RICARDO LECTURE on Political Economy is another circumstance which may be expected to contribute to accelerate its progress. The motives which led to the formation of that Institution are, I believe, pretty generally known. It is sufficient, therefore, to observe, that it was intended to do honour to the memory of one of the greatest Economists and most enlightened Legislators that this country ever produced, by associating his name with the future progress of the science of which he was so great a master; and to facilitate the acquisition of a knowledge of that science, by the establishment of a course of lectures in the metropolis, in which its leading principles and conclusions should be briefly, popularly, and clearly explained. The situation in which the partial kindness of the Managers of this Institution has placed me, will not allow me to say more respecting it, than that its foundation is equally honourable to the memory of Mr Ricardo, and to the judgment of his friends; and that, so long as I have the honour to be connected with it, my most anxious efforts shall be directed to render it effectual to the dissemination of a knowledge of the just principles of the science.

It is unnecessary to say much on the question,

whether Political Economy may be most advantageously learned from oral instructions, or by private reading. It cannot be doubted, that it is in the power of any one, by an attentive perusal and comparison of the works of the great masters of the science, to obtain a perfect command over its principles; and it is also certain that no oral instructions can entirely supersede private study and reading. Still, however, it seems to me that very great advantage may be derived from a judicious course of public prelections. "The hour of lecture enforces attendance; attention is fixed by the presence, the voice, and the occasional questions of the teacher; the most idle will carry something away; and the more diligent will compare the instructions which they have heard in the school, with the volumes they peruse in their chambers."* A course of lectures has the farther advantage of being easily made to keep pace with the progress of the science; while the discussion of principles and conclusions, bearing directly on the various questions that are daily emerging into importance, excites an unusual interest in the auditors, and gives the lecture a degree of freshness, and a practical and immediate incidence, which no published treatise can possibly possess.

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* Gibbon's Memoir of his own Life, Miscellaneous Works, Vol. I. p. 51, 8vo ed.

After defining the objects and limits of the science, I proceed at the outset of my course to show that labour is the *only* source of wealth—to prove, in the words of Dr Smith, that "it was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased."* This fundamental principle once established, it necessarily follows, that the great practical problem involved in that part of the science which treats of the production of wealth, must necessarily resolve it-

* Wealth of Nations, I. p. 44.—The writer of a late article in the Quarterly Review (No. 60, Art. I.) contends, that the *earth* is a source of wealth, because it supplies us with the *matter* of commodities. But this, it is obvious, is just the old error of the Economists reproduced in a somewhat modified shape. Wealth is in no degree dependent on quantities of matter, but exclusively on *value*. Nature gratuitously supplies us with the matter of which *all* commodities are made; but until labour has been expended in appropriating matter, or in adapting it to our use, it is wholly destitute of value, and is not, nor ever has been, considered as forming wealth. We do not call a man wealthy because he has an indefinite command of atmospheric air, or of any other gratuitous product; but we call him wealthy when, and only when, he possesses the *produce of a large quantity of labour*. It would, in truth, be just as correct to say, that the earth is a source of pictures and statues, because it supplies the materials made use of by painters and statuaries, as to say, that it is a source of wealth, because it supplies the matter of commodities!

self into a discussion of the means whereby *the greatest amount of necessary, useful, and desirable products may be obtained with the least possible quantity of labour.* Every measure which has any tendency to add to the power of labour, or to reduce the cost of the commodities produced by its agency, must add proportionally to our power of obtaining wealth and riches, while every measure or regulation that has any tendency to waste labour, or to raise the cost of producing commodities, must equally lessen this power. This is the simple and decisive test by which we are to judge of the expediency of every measure affecting the wealth of the country, and of the value of every invention. If they render labour more productive—if they have a tendency to reduce the exchangeable value of commodities, to render them more easily obtainable, and to bring them within the command of a greater portion of society, they must be advantageous; but if their tendency be different, they must as certainly be disadvantageous. Considered in this point of view, that great branch of the science of Political Economy which treats of the *production* of wealth, will be found to be abundantly simple, and easily understood.

I may here observe, that labour, according as it is applied to the raising of raw produce—to the fashioning of that raw produce, when raised, into articles of utility, convenience, or ornament—and to

the conveying of raw and wrought produce from one country and place to another—is said to be agricultural, manufacturing, and commercial. An acquaintance with the particular processes, and most advantageous methods, of applying labour in each of these grand departments of industry, forms the peculiar and appropriate study of the agriculturist, manufacturer, and merchant. It is not consistent with the objects of the Political Economist to enter into the details of particular businesses and professions. He confines himself to an investigation of the means by which labour in general may be rendered most productive, and how its powers may be increased in *all* the departments of industry.

The most careless and inattentive observer of the progress of mankind from poverty to affluence, must have early perceived that there are *three* circumstances, without whose conjoint existence and co-operation they never could have emerged from barbarism. The *first*, and most indispensable, is the security of property; the *second*, is the introduction of exchange or barter, and the consequent appropriation of particular individuals to particular occupations; and the *third*, is the accumulation and employment of the produce of previous labour, or, as it is more commonly termed, of capital or stock. Without the *first*, or security of property, we can have neither riches nor civilization; for no one would ever engage in any laborious or difficult

undertaking, without a thorough conviction that he was labouring for his own advantage, and not for that of others, and that he was to be permitted to enjoy the fruits of his labour without molestation : Without the *second*, or the introduction of barter and the division of employments, no one would be able constantly to employ himself in a particular branch of industry ; his time would be wasted in shifting from one thing to another ; and it would be impossible for him to attain that peculiar sleight of hand, and that degree of skill and dexterity in any particular calling, so truly astonishing to those who have lived in places where the division of labour was but imperfectly established : And without the *third*, or the possession and employment of capital, the labourer would be destitute of provisions for his subsistence, and of tools and machines to assist him in his work, and would consequently be unable to engage in any species of industry that did not promise an almost immediate return, or that might not be carried on by the hand alone, without the aid of any instrument. All the means that either have been, or that ever can be, devised for facilitating the production of wealth, by adding to the power and efficacy of labour, must be classed under one or other of these three heads. It is indispensable, therefore, that principles so important, and which lie at the very bottom of the science, should be well understood. I endeavour

to set them in the clearest point of view; to exhibit their mutual action and reaction; and to treat fully the various important questions to which their discussion necessarily gives rise.

Besides that sort of division of labour which enables each individual in a limited society to confine himself to a particular employment, there is another and most important branch of the division of labour, which not only enables particular individuals, but the inhabitants of entire districts, and even nations, to addict themselves, in preference, to certain branches of industry. It is on this *territorial division of labour*, if I may so term it, that the commerce which is carried on between different districts of the same country, and between different countries, is founded. The various soils, climates, and capacities of production, of different districts of an extensive country, fit them for being appropriated in preference to certain species of industry. A district where coal is abundant, which has an easy access to the ocean, and a considerable command of internal navigation, is the natural seat of manufactures. Wheat and other species of grain are the proper products of rich arable soils; and cattle, after being reared in mountainous districts, are most advantageously fattened in meadow and low grounds. Nothing is more obvious than that the inhabitants of these different districts, by separately confining themselves to the particular branches of industry for the successful prosecution of which

they have some peculiar *natural capability*, must produce an infinitely greater quantity of useful and desirable commodities than they could do were they to devote their labour indiscriminately to every different employment. It is impossible to doubt that vastly more manufactured goods, more corn, and more cattle, are produced by the inhabitants of Glasgow, of the Carse of Gowrie, and of Argyleshire, respectively confining themselves to manufactures, agriculture, and the rearing of cattle, than if each endeavoured directly to supply themselves with all these various products, without the intervention of an exchange.

But it is easy to see that foreign trade, or the territorial division of labour between different and independent countries, contributes to increase the wealth of each in precisely the same manner that the trade between different provinces of the same kingdom contributes to increase their wealth. There is a still greater difference between the productive powers wherewith nature has endowed different and distant countries,* than there is between

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* *Heic segetes, illic veniunt felicius uvæ :*
Arborei fetus alibi, atque injussa virescunt
Gramina. Nonne vides, croceos ut Tmolus odores,
India mittit ebur, molles sua thura Sabæi?
At Chalybes nudi ferrum, virosaque Pontus
Castorea, Eliadum palmas Epeiros equarum?
Continuo has leges, æternaque fœdera certis
Imposuit natura locis.——————

Georg. lib. i. lin. 54.

the productive powers of the provinces of the same country. The establishment of a free intercourse between them must, therefore, be proportionally advantageous. It would evidently cost an infinitely greater expence to raise the wines of France or Spain in England than to make Yorkshire yield the same products as Devonshire. Indeed, there are a multitude of products, and some of them of the very greatest utility, which cannot possibly be raised except in particular situations. Were it not for commercial intercourse, we should not be able to obtain the smallest supply of tea, sugar, raw cotton, raw silk, gold bullion, and a thousand other equally useful and valuable commodities. Providence, by giving different soils, climates and natural productions, to different countries, has evidently provided for their mutual intercourse and civilization. By permitting the people of each to employ their capital and labour in those departments in which their geographical situation, the physical capacities of their soil, their national character and habits fit them to excel, foreign commerce has a wonderful effect in multiplying the productions of art and industry. When the freedom of commerce is not restricted, each country necessarily devotes itself to such employments as are most beneficial to each. This pursuit of individual advantage is admirably connected with the good of the whole. By stimulating industry, by

rewarding ingenuity, and by using most efficaciously the particular powers bestowed by nature, commerce distributes labour most effectively and most economically; while, by increasing the general mass of necessary and useful products, it diffuses general opulence, and binds together the universal society of nations by the common and powerful ties of mutual interest and reciprocal obligation. Commerce has enabled each particular state to profit by the inventions and discoveries of every other state. It has given us new tastes and new appetites, and it has also given us the means and the desire of gratifying them. The progress of domestic industry has been accelerated by the competition of foreigners. Commerce has either entirely removed, or greatly weakened, a host of the most unworthy prejudices. It has shown, that nothing can be more illiberal, irrational, and absurd, than that dread of the progress of others in wealth and civilization that was once so prevalent, and it has shown that the true glory and real interest of each particular people will be more certainly advanced by emulating and outstripping each other in the career of science and civilization, than by labouring to attain a barren pre-eminence in the bloody and destructive art of war.

In treating this most important branch of the science, I first endeavour to present a general view of the effects of commercial intercourse; to exhibit

the principles on which it is founded; and to give a sketch of the principal epochs in its history. I then proceed to examine, in detail, the various reasons which have been urged in defence of those regulations by which the freedom of commerce between certain countries and in particular commodities has been fettered and restricted. Of these, the restrictions on the importation and exportation of the precious metals, on the trade in corn and provisions, on the colony trade, and on the freedom of navigation, are among the most important. I treat them in succession, with that degree of minuteness, and fulness of illustration, which their great practical interest and importance imperiously require.

When the division of labour was first introduced, barter was the only method by which commodities were exchanged. But according as society advanced, as the division of employments was extended, and as exchanges became more numerous, the advantage of using some one commodity as a common medium of exchange—as an equivalent for all other commodities, and as a standard whereby to estimate their relative values—soon became obvious. The benefits resulting from the use of this common medium, or of *money*, were so great, that, as previously stated, gold and silver, of which it has been chiefly formed, were alone supposed to form wealth. The error of this opinion has been long since demonstrated; but money is still very gene-

rally considered in a different light from other commodities; and the importance of its functions, and the necessity of being intimately acquainted with the principles which determine its exchangeable value, have induced me to treat it at considerable length.*

The *first* grand division of the science, or that which treats of the *production* of wealth, being thus disposed of, I proceed to the *second*, or that which has for its object to discover and unfold the laws regulating the *distribution* of the various products of art and industry among the different classes of the community.

It is abundantly obvious, that in the early pe-

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* The Roman jurists have given a very distinct statement of the circumstances which led to the use of money: Origo emendi vendendique a permutationibus cœpit. Olim enim non ita erat nummus; neque aliud *merx*, aliud *pretium* vocabatur; sed unusquisque secundum necessitatem temporum, ac rerum, utilibus inutilia permutabat, quando plerumque evenit, ut quod alteri superest, alteri desit. Sed quia non semper, nec facile concurrebat, ut, cum tu haberes, quod ego desiderarem, invicem haberem, quod tu accipere velles, electa materia est, cujus publica ac perpetua estimatio difficultatibus permutationum, æqualitate quantitatis subveniret: eaque materia forma publica percussa, usum dominiumque non tam ex substantia præbet, quam ex quantitate; nec ultra *merx* utrumque, sed alterum *pretium* vocatur.—*Digest.* lib. xviii. tit. 1. *De contrahenda emptione, &c.*

riods of society, before capital was accumulated and land appropriated, the whole produce of industry must have belonged to the labourer, and that the quantity of labour necessary to produce commodities, and bring them to market, must have formed the only standard wherewith their exchangeable worth, or relative value, could be estimated.* As soon, however, as capital is accumulated, those who possess it find it to be for their advantage to supply industrious individuals with food and other materials necessary to enable them to produce commodities, on condition of their getting back a greater value in their stead: And after land has been appropriated, and cultivation extended, the proprietors of the superior lands will not allow them to be cultivated, unless they receive a portion of the produce as rent. Instead, therefore, of belonging, as in the earlier stages of society, exclusively to the labourers, the produce of industry is, in every advanced and civilized community, divided into *three* portions, whereof one goes to the labourers as wages, another to the capitalists as profit, and a third to the landlords as rent. It becomes, therefore, essential to ascertain the laws which regulate wages, profit, and rent; that is,

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* There is no difference whatever of opinion respecting this position: It is equally assented to by Dr Smith, Mr Malthus, and Mr Ricardo.

the laws which determine the proportions in which the produce of industry, or the sum of the various necessaries, conveniences, and enjoyments of human life, is divided among the great classes, of which every civilized society is made up.

But this does not exhaust the whole of this department of the science. We have farther to inquire, whether the employment of capital in production, and the payment of rent, have any effect on the exchangeable value of commodities; or whether their value is determined in cultivated and refined societies by the quantities of labour necessarily required to produce and bring them to market, as in the earliest and rudest periods. I have endeavoured to simplify this rather difficult, but fundamentally important inquiry; and have entered into a pretty full discussion of the correlative questions with respect to the influence of supply and demand, monopolies, &c. on price.

It is not, however, enough to know the constituent elements of value, and the proportions in which the produce of industry is distributed. We ought farther to render ourselves acquainted with the principles which determine the increase and diminution of those sentient, social, and accountable beings, for whom, and by whom, all wealth is produced. For this purpose, I endeavour to give a pretty full, and I hope clear and satisfactory, exposition of the theory of population. I also inquire in-

to the effects that would most probably result from the establishment of a national system of education, or of parochial schools, where the children of the poor should be furnished, at a cheap rate, with instruction in the arts of reading, writing, and arithmetic; in the duties enjoined by religion and morality; and in the elementary principles of this science, more especially in those which show on what the rate of wages, and consequently the condition of the poor, must always depend: I also examine, in this part of my course, the effect of the establishment of a compulsory provision for the support of the poor.

The *third* and last division of the science of Political Economy is that which treats of the *consumption* of wealth.

Consumption, in the sense in which the word is used by Political Economists, is synonymous with *use*. We produce commodities only that we may be able to use or consume them. Consumption is the great end and object of all human industry. Production is merely a means to attain an end. No one would produce were it not that he might afterwards consume. All the products of art and industry are destined to be consumed, or made use of; and when a commodity is brought into a state fit to be used, if its consumption be deferred, a loss is incurred. All products are intended either to satisfy the immediate wants, or to add to the en-

joyments of their producers; or they are intended to be employed as capital, and made to reproduce a greater value than themselves. In the *first* case, by delaying to use them, it is plain we either refuse to satisfy a want, or deny ourselves a gratification it is in our power to obtain;—and in the *second*, by delaying to use them, it is equally plain we allow the instruments of production to lie idle, and lose the profit that might be derived from their employment.

But, although all commodities are produced only to be consumed, we must not fall into the error of supposing, that all consumption is equally advantageous to the individual, or the society. If an individual employs a set of labourers to build him a house the one summer, and to pull it down the next, their labour, or rather the capital he gave them in exchange for their labour, and which they have consumed during the time they were engaged in this futile employment, is evidently destroyed for ever, and absolutely lost both to himself and the public; whereas, had he employed them in the raising of corn, or in the production of any species of valuable produce, he would have obtained commodities of equal, or more than equal, value to the capital he gave them. *The value of the return*, or *the advantage obtained from the consumption*, is, therefore, the true and only test of advantageous and disadvantageous, or, as it is more commonly

termed, of productive and unproductive consumption. Commodities are consumed *productively* when the advantage or benefit accruing in consequence to their possessors, or when the value of the products obtained in their stead *exceeds* their value; and they are consumed *unproductively* when the value of the advantage or benefit, or the value of the new commodities, is *less* than their value. It is on this balance of consumption and reproduction, and not, as was long supposed, on the balance of trade, that the prosperity or decay of every nation depends. If, in given periods, the commodities produced in a country exceed those consumed in it, the means of increasing its capital will be provided, and its population will either increase, or the actual numbers will be better accommodated, or both. If the consumption in such periods fully equals the reproduction, no means will be afforded of increasing the stock or capital of the nation, and society will be at a stand. And if the consumption exceeds the reproduction, every succeeding period will see the society worse supplied; its prosperity and population will evidently decline, and pauperism will gradually and progressively spread itself over the whole country. It must plainly, therefore, be an object of great importance to ascertain how the balance beween consumption and reproduction may be made to incline in favour of the last.

To be able to solve this problem satisfactorily, we must endeavour to render ourselves acquainted, not only with the circumstances which influence individual consumption, and the means by which it may be rendered most advantageous, but also with the nature and effects of the consumption carried on by government. And hence, it is in this department of the science that I investigate the principles of *taxation*, and of the *funding system*, for the purpose of determining the manner in which the revenue necessary to defray the expences of the state, both in periods of peace and war, may be raised and collected with the least injury to individuals. Many of my readers will probably be inclined to think that this is the most important of all the inquiries involved in this science. But, however important, those who have not made themselves masters of its elementary truths, and of the laws which regulate the production and distribution of wealth, need not expect to be able to acquire any accurate knowledge of the ultimate incidence and real effect of any tax or loan. What Lord Bacon has so beautifully said of physical is equally true of economical science—*Qui autem judicium cohibere, et gradatim ascendere, et rerum, veluti montium juga, unum primo, deinde alterum, ac rursus alterum superare cum sapientia vera et indefessa sustinuerit, ille ad summitates et vertices scientiæ mature perveniet, ubi et statio se-*

rena, et pulcherrimus rerum prospectus, ET DESCENSUS MOLLI CLIVO DUCENS AD OMNES PRACTICAS.

I have also endeavoured to facilitate the study of the science, by forming *conversational* classes, limited to a small number of pupils, which may be attended by those who do not, as well as by those who do, attend my public class. The various branches of the science are taken up in these classes in the order followed in the lectures. The pupils having previously read such portions of some popular work as treat of the subject of a conversation, I examine them, to ascertain whether they have a clear apprehension of the doctrine laid down by the author: If this doctrine be either erroneous in principle or defective in statement, I tell them so, and the pupils apply themselves to find out wherein the error or defect consists, or I explain it to them. Having in this way made them thoroughly masters of what I conceive to be the true theory of the subject under discussion, I desire them to state such difficulties as may occur to them in respect to it; which I explain, should they not be explained, as is generally the case, by some of the pupils. This done, I next state such objections, not already stated, by themselves, as either are or might be made to the

doctrines I have taught them, setting them in the strongest light possible, and requiring them to show how they can be solved, or, in the event of their not doing this, solving them myself. The attention of the student is thus perpetually excited; he is stimulated to exert all his powers; to think and reason for himself; to probe every question to the bottom; and to investigate the grounds on which every conclusion rests. The principles of the science being gone over in this way, and short abstracts of the whole committed to paper, they are indelibly impressed on the memory; and that readiness is acquired in the resolution of a complex question into its elements, in the detection of sophistry and error, and in the application of general principles to particular cases, which characterise an able and expert economist, but which it is difficult to acquire by the most extensive reading.

Such is a brief, and, I am afraid, very imperfect sketch of the objects of the science of Political Economy; the species of evidence on which it is founded; the principal theories that have been formed to explain its various phenomena; the importance of its study to all classes of society; and the mode I follow in teaching it in my public and private classes. It is my chief object to set the fundamental principles of the science in the clearest and most striking point of view, to show the intimate dependence of its different parts on

each other, and to point out its more important practical applications. At the same time, it is certain that no skill on the part of a teacher will ever enable the student to obtain a perfect command of such a science as this, without considerable exertion and industry on his part. But no ingenuous or liberal mind will ever grudge that labour and application, which has for its object to unfold the real sources of private and public opulence, and of poverty and degradation—to discover

> ——— ——— what makes the nations smile,
> Improves their soil, and gives them double suns,
> And why they pine beneath the brightest skies,
> In Nature's richest lap.———

APPENDIX.

NOTE A, p. 50.

THAT M. Quesnay is entitled to the merit of originality cannot be disputed. It is certain, however, that he had been anticipated in several of his peculiar doctrines by some English writers of the previous century. The fundamental principles of the economical system are distinctly and clearly stated in a tract entitled *Reasons for a limited Exportation of Wool*, published in 1677. "That it is of the greatest concern and interest of the nation," says the author of the tract, "to preserve the nobility, gentry, and those to whom the land of the country belongs, at least, much greater than a few artificers employed in working the superfluity of our wool, or the merchants who gain by the exportation of our manufactures, is manifest—1. Because they are the *masters and proprietaries of the foundation of all the wealth in this nation, all profit arising out of the ground which is theirs. 2. Because they bear all taxes and public burdens;* which, in truth, are only born by those who buy, and sell not; all sellers, raising the price of their commodities, or abating of their goodness, according to their taxes."—p. 5, 6.

In 1696, Mr Asgill published a treatise entitled *Several Assertions Proved, in order to Create Another Species of Money than Gold*, in support of Dr Chamberlayne's pro-

position for a Land Bank. The following extract from this treatise breathes, as Mr Stewart has justly observed, in his Life of Dr Smith, the very spirit of Quesnay's philosophy :—

"What we call commodities is nothing but land severed from the soil—*Man deals in nothing but earth.* The merchants are the factors of the world, to exchange one part of the earth for another. The king himself is fed by the labour of the ox: and the clothing of the army and victualling of the navy must all be paid for to the owner of the soil as the ultimate receiver. All things in the world are originally the produce of the ground, and there must all things be raised. —(This passage has been quoted in Lord Lauderdale's *Inquiry into the Nature and Origin of Public Wealth,* 2d ed. p. 109.)

These passages are interesting, as exhibiting the first germs of the theory of the Economists. But there is no reason whatever to suppose that Quesnay was aware of the existence of either of the tracts referred to. The subjects treated in them were of too local a description to excite the attention of foreigners; and Quesnay was too candid to conceal his obligations, had he really owed them any. It is probable he may have seen Mr Locke's treatise on *Raising the Value of Money,* where the idea is thrown out that all taxes fall ultimately on the land. But there is an immeasurable difference between the suggestion of Locke and the well digested system of Quesnay.

I subjoin from the work of Dupont, *Sur l'Origine et Progrés d'une Nouvelle Science,* a short statement of the various institutions the Economists held to be necessary for the good government of a country.

" Voici le résumé de toutes les institutions sociales fondées sur l'ordre naturel, sur la constitution physique des hommes et des autres êtres dont ils sont environnés.

“ *Propriété personnelle*, établie par la nature, par la nécessité physique dont il est à chaque individu de disposer de toutes les facultés de sa personne, pour se procurer les choses propres à satisfaire ses besoins, sous peine de souffrance et de mort.

“ *Liberté de travail*, inséparable de la propriété personnelle dont elle forme une partie constitutive.

“ *Propriété mobiliaire*, qui n'est que la propriété personnelle même, considérée dans son usage, dans son objet, dans son extension nécessaire sur les choses acquises par le travail de sa personne.

“ *Liberté d'échange*, de commerce, d'emploi de ses richesses, inséparable de la propriété personnelle et de la propriété mobiliaire.

“ *Culture*, qui est un usage de la propriété personnelle, de la propriété mobiliaire et de la liberté qui en est inséparable : usage profitable, nécessaire, indispensable pour que la population puisse s'accroître, par une suite de la multiplication des productions nécessaires à la subsistance des hommes.

“ *Propriété fonciere*, suite nécessaire de la culture, et qui n'est que la conservation de la propriété personnelle et de la propriété mobiliaire, employées aux travaux et aux dépenses preparatoires indispensables pour mettre la terre en état d'être cultivée.

“ *Liberté de l'emploi de sa terre*, de l'espece de sa culture, de toutes les conventions relatives à l'exploitation, à la concession, à la rétrocession, à l'échange, à la vente de sa terre, inséparable de la propriété fonciere.

“ Partage naturel des récoltes, *en reprises des cultivateurs*, ou richesses dont l'emploi doit indispensablement être de perpétuer la culture, sous peine de diminution des récoltes et de la population et *produit net*, ou richesses disponibles dont la grandeur décide de la prospérité de la société, dont l'emploi est abandonné à la volonté et à l'intérêt des propriétaires fonciers, et qui constitue pour eux le prix naturel et légiti-

me des dépenses qu'ils on faites, et des travaux auxquels ils se sont livrés pour mettre la terre en état d'être cultivée.

" *Sureté,* sans laquelle la propriété et la liberté ne seraient que de droit et non de fait, sans laquelle le *produit net* serait bientôt anéanti, sans laquelle la culture même ne pourrait subsister.

" *Autorité tutèlaire et souveraine,* pour procurer la sureté essentiellement nécessaire à la propriété et à la liberté ; et qui s'acquitte de cet important ministere, en promulguant et faisant exécuter les loix de l'ordre naturel, par lesquelles la propriété et la liberté sont établies.

" *Magistrats,* pour décider dans les cas particuliers quelle doit être l'application des loix de l'ordre naturel, réduites en loix positives par l'autorité souveraine ; et qui ont le devoir impérieux de comparer les Ordonnances des Souverains avec les loix de la Justice par essence, avant de s'engager à prendre ces Ordonnances positives, pour régle de leurs jugemens.

" *Instruction publique et favorisée,* pour que les citoyens, l'autorité et les Magistrats, ne puissent jamais perdre de vue les loix invariables de l'ordre naturel, et se laisser égarer par les prestiges de l'opinion, ou par l'attrait des intérêts particuliers exclusifs qui, dès qu'ils sont *exclusifs* sont tojours malentendus.

" *Revenu public,* pour constituer la force et le pouvoir nécessaire à l'autorité Souveraine ; pour faire les frais de son ministere protecteur, des fonctions importantes des Magistrats, et de l'instruction indispensable des loix de l'ordre naturel.

" *Impôt direct,* ou partage du produit net du territoire, entre les propriétaires fonciers et l'autorité Souveraine ; pour former le revenu public d'une maniere qui ne restraigne ni la propriété ni la liberté, et qui par conséquent ne soit pas destructive.

" *Proportion essentielle et nécessaire de l'impôt direct,* avec le produit net, telle qu'elle donne à la société le plus grand

revenu public qui soit possible, et par conséquent le plus grand degré possible de sureté, sans que le sort des propriétaires fonciers cesse d'être le meilleur sort dont on puisse jouir dans la société.

"*Monarchie hèréditaire*, pour que tous les intérêts présens et futurs du dépositaire de l'autorité souveraine, soient intimement liés avec ceux de la société par le partage proportionnel du *produit net.*"

Note B, p. 58.

The true doctrine of population has been most clearly and ably laid down by M. Herbert, in his *Essai sur la Police des Grains*, published in 1755. As this work is not so well known as its very great merit entitles it to be, I shall make a short extract from it. "Il est évident," says M. Herbert, "que le nombre des hommes augmenteroit à l'infini, sans des obstacles physiques, politiques, et moraux. Il nous suffit de savoir, que les hommes sont toujours en abondance, par-tout ou ils se trouvent bien: que des pays ont été successivement bien ou mal peuplés, suivant la nature du gouvernement; et l'on remarque aisément, que les etats ne se peuplent point suivant la progression naturelle de la propagation; mais en raison de leur industrie, de leurs productions, et des differentes institutions.

"La guerre, la famine, les maladies épidémiques, ont souvent ravagé la terre: ces maux se réparent; et une nation renait de générations en générations, par les soins du Legislateur. Ces fleaux si terribles sont moins redoutables, que des vices interieurs, qui ruinent un état par degrès imperceptibles. Un peuple s'aneantit, si l'on ne remedie aux maladies de langueur, qui affoiblissent l'agriculture; et les sujets se dissipent ou deperissent, sans que l'on s'en apperçoive.

"*Les hommes en effet se multiplient comme les productions du sol, et à proportion des avantages et des ressources qu'ils*

trouvent dans leurs travaux. Leur premier soin est celui des besoins; quand ils trouvent à les satisfaire, nulle inquietude ne s'oppose à leur augmentation. Le colon n'apprehende point de voir croitre sa famille, quand il prevoit pouvoir la soutenir: mais des gens decouragés, ou dans la misère, prisent trop peu la vie, pour avoir soin de celle des autres. On ne songe point à arroser des plantes, quand on a besoin d'eau pour soi-même. *Le peuple s'augmente à proportion de la facilité qu'il trouve à vivre; et les hommes se multiplient naturellement comme les denrées, quand leur vie n'est point traversé par les besoins ou par la crainte.*" p. 319, &c.

Mr Townsend states the principle at much greater length; and successfully applies it to account for the inability of the poor laws of England to banish poverty from that country. Mr Townsend's pamphlet was reprinted in 1817, with a preface ascribed to Lord Grenville.

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